



United States Department of State
*Bureau for International Narcotics and Law
Enforcement Affairs*

Money Laundering and Financial Crimes Country Database

June 2014

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Money Laundering/Financial Crimes Countries

Countries and Jurisdictions Table

Countries/Jurisdictions of Primary Concern		Countries/Jurisdictions of Concern		Other Countries/Jurisdictions Monitored	
Afghanistan	Latvia	Albania	Malaysia	Andorra	Mali
Antigua and Barbuda	Lebanon	Algeria	Marshall Islands	Anguilla	Malta
Argentina	Liechtenstein	Angola	Moldova	Armenia	Mauritania
Australia	Luxembourg	Aruba	Monaco	Bermuda	Mauritius
Austria	Macau	Azerbaijan	Mongolia	Botswana	Micronesia FS
Bahamas	Mexico	Bahrain	Montenegro	Brunei	Montserrat
Belize	Netherlands	Bangladesh	Morocco	Burkina Faso	Mozambique
Bolivia	Nigeria	Barbados	Nicaragua	Burundi	Namibia
Brazil	Pakistan	Belarus	Peru	Cabo Verde	Nauru
British Virgin Islands	Panama	Belgium	Poland	Cameroon	Nepal
Burma	Paraguay	Benin	Portugal	Central African Republic	New Zealand
Cambodia	Philippines	Bosnia and Herzegovina	Qatar	Chad	Niger
Canada	Russia	Bulgaria	Romania	Congo, Dem Rep of	Niue
Cayman Islands	Singapore	Chile	Saudi Arabia	Congo, Rep of	Norway
China, People Rep	Somalia	Comoros	Senegal	Croatia	Oman
Colombia	Spain	Cook Islands	Serbia	Cuba	Palau
Costa Rica	St. Maarten	Cote d'Ivoire	Seychelles	Denmark	Papua New Guinea
Curacao	Switzerland	Czech Republic	Sierra Leone	Dominica	Rwanda
Cyprus	Taiwan	Djibouti	Slovak Republic	Equatorial Guinea	Samoa
Dominican Republic	Thailand	Ecuador	South Africa	Eritrea	San Marino
France	Turkey	Egypt	St. Kitts and Nevis	Estonia	Sao Tome & Principe
Germany	Ukraine	El Salvador	St. Lucia	Ethiopia	Slovenia
Greece	United Arab Emirates	Ghana	St. Vincent	Fiji	Solomon Islands
Guatemala	United Kingdom	Gibraltar	Suriname	Finland	South Sudan
Guernsey	United States	Grenada	Syria	Gabon	Sri Lanka
Guinea Bissau	Uruguay	Guyana	Tanzania	Gambia	Sudan
Haiti	Venezuela	Holy See	Trinidad and Tobago	Georgia	Swaziland
Hong Kong	Zimbabwe	Honduras	Turks and Caicos	Guinea	Sweden
India		Hungary	Vanuatu	Iceland	Tajikistan
Indonesia		Ireland	Vietnam	Kyrgyz Republic	Timor-Leste
Iran		Jamaica	Yemen	Lesotho	Togo
Iraq		Jordan		Liberia	Tonga
Isle of Man		Kazakhstan		Libya	Tunisia
Israel		Korea, North		Lithuania	Turkmenistan
Italy		Korea, South		Macedonia	Uganda
Japan		Kosovo		Madagascar	Uzbekistan
Jersey		Kuwait		Malawi	Zambia
Kenya		Laos		Maldives	

Comparative Table Key

The comparative table that follows the Glossary of Terms below identifies the broad range of actions, effective as of December 31, 2013, that jurisdictions have, or have not, taken to combat money laundering. This reference table provides a comparison of elements that include legislative activity and other identifying characteristics that can have a relationship to a jurisdiction's money laundering vulnerability. With the exception of the fifth item, all items should be answered "Y" (yes) or "N" (no). **"Y" is meant to indicate that legislation has been enacted to address the captioned items. It does not imply full compliance with international standards.** All answers indicating deficiencies within the country's/jurisdiction's AML/CFT regime should be explained in the "Enforcement and implementation issues and comments" section of the template, as should any responses that differ from last year's answers.

Glossary of Terms

- "Criminalized Drug Money Laundering": The jurisdiction has enacted laws criminalizing the offense of money laundering related to the drug trade.
- "Criminalized Beyond Drugs": The jurisdiction has enacted laws criminalizing the offense of money laundering related to crimes other than those related to the drug trade.
- "Know-Your-Customer Provisions": By law or regulation, the government requires banks and/or other covered entities to adopt and implement Know-Your-Customer/Customer Due Diligence programs for their customers or clientele.
- "Report Large Transactions": By law or regulation, banks and/or other covered entities are required to report large transactions in currency or other monetary instruments to designated authorities. (CTRs)
- "Report Suspicious Transactions": By law or regulation, banks and/or other covered entities are required to report suspicious or unusual transactions to designated authorities. On the Comparative Table the letter "Y" signifies mandatory reporting; "P" signifies reporting is not required but rather is permissible or optional; "N" signifies no reporting regime. (STRs)
- "Maintain Records over Time": By law or regulation, banks and/or other covered entities are required to keep records, especially of large or unusual transactions, for a specified period of time, e.g., five years.
- "Disclosure Protection - 'Safe Harbor)": By law, the jurisdiction provides a "safe harbor" defense against civil and criminal liability to banks and/or other covered entities and their employees who provide otherwise confidential banking data to authorities in pursuit of authorized investigations.
- "Criminalize 'Tipping Off)": By law, disclosure of the reporting of suspicious or unusual activity to an individual who is the subject of such a report, or to a third party, is a criminal offense
- "Financial Intelligence Unit": The jurisdiction has established an operative central, national agency responsible for receiving (and, as permitted, requesting), analyzing, and disseminating to the competent authorities disclosures of financial information in order to counter money laundering. An asterisk (*) reflects those jurisdictions whose FIUs are not members of the Egmont Group of FIUs.

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- “Cross-Border Transportation of Currency”: By law or regulation, the jurisdiction has established a declaration or disclosure system for persons transiting the jurisdiction’s borders, either inbound or outbound, and carrying currency or monetary instruments above a specified threshold.
- “International Law Enforcement Cooperation”: Jurisdiction cooperates with authorized investigations involving or initiated by third party jurisdictions, including sharing of records or other financial data, upon request. No known legal impediments to cooperation exist in current law.
- “System for Identifying and Forfeiting Assets”: The jurisdiction has established a legally authorized system for the tracing, freezing, seizure, and forfeiture of assets identified as relating to or generated by money laundering activities.
- “Arrangements for Asset Sharing”: By law, regulation or bilateral agreement, the jurisdiction permits sharing of seized assets with third party jurisdictions that assisted in the conduct of the underlying investigation. No known legal impediments to sharing assets with other jurisdictions exist in current law.
- “Criminalized the Financing of Terrorism”: The jurisdiction has criminalized the provision of material support to terrorists, terrorist activities, and/or terrorist organizations as required by the UN International Convention for the Suppression of the Financing of Terrorism and UNSCR 1373.
- “Report Suspected Terrorist Financing”: By law or regulation, banks and/or other covered entities are required to record and report to designated authorities transactions suspected to relate to the financing of terrorists, terrorist groups or terrorist activities.
- “Ability to Freeze Terrorist Assets w/o Delay”: The government has an independent national system and mechanism for freezing terrorist assets in a timely manner (including but not limited to bank accounts, other financial assets, airplanes, autos, residences, and/or other property belonging to terrorists or terrorist organizations).
- “States Party to 1988 UN Drug Convention”: States party to the 1988 United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, or a territorial entity to which the application of the Convention has been extended by a party to the Convention.
- “States Party to the UN International Convention for the Suppression of the Financing of Terrorism”: States party to the International Convention for the Suppression of the Financing of Terrorism, or a territorial entity to which the application of the Convention has been extended by a party to the Convention.
- “States Party to the UN Convention against Transnational Organized Crime”: States party to the United Nations Convention against Transnational Organized Crime (UNTOC), or a territorial entity to which the application of the Convention has been extended by a party to the Convention.
- “States Party to the UN Convention against Corruption”: States party to the United Nations Convention against Corruption (UNCAC), or a territorial entity to which the application of the Convention has been extended by a party to the Convention.
- “U.S. or International Sanctions/Penalties”: The United States, another jurisdiction, and/or an international organization, e.g., the UN or FATF, has imposed sanctions or penalties against the jurisdiction. A country’s inclusion in the FATF’s International Cooperation Review Group exercise is not considered a sanction or penalty unless the FATF recommends countermeasures against the country/jurisdiction.

Comparative Table

"Y" is meant to indicate that legislation has been enacted to address the captioned items. It does not imply full compliance with international standards. Please see the individual country reports for information on any deficiencies in the adopted laws/regulations.

Actions by Governments	Criminalized Drug Money Laundering	Criminalized ML Beyond Drugs	Know-Your-Customer Provisions	Report Large Transactions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Disclosure Protection - "Safe Harbor"	Criminalize "Tipping Off"	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	Ability to Freeze Terrorist Assets w/o Delay	States Party to 1988 UN Drug Convention	States Party to Intl. Terror Finance Conv.	States Party to UNTOC	States Party to UNCAC	US or Int'l Org Sanctions/Penalties
Govt/Jurisdiction																					
Afghanistan	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
Albania	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Algeria	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
Andorra	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Angola	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	N	Y	N	Y	Y	N	Y	Y	Y	Y	N
Anguilla ¹	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N	N
Antigua and Barbuda	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Argentina	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N	N	Y	N	Y	Y	Y	Y	N
Armenia	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N

¹ The UK extended its application of the 1988 UN Drug Convention to Anguilla, Bermuda, British Virgin Islands, Cayman Islands, Gibraltar, Guernsey, Isle of Man, Jersey,Montserrat, and Turks and Caicos. The International Convention for the Suppression of Terrorism Financing has been extended to the British Virgin Islands, Guernsey, Isle of Man, and Jersey. The UNCAC has been extended to British Virgin Islands, Guernsey, Isle of Man, and Jersey. The UNTOC has been extended to the British Virgin Islands, Cayman Islands, Gibraltar, and the Isle of Man.

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	Actions by Governments																				
Govt/Jurisdiction	Criminalized Drug Money Laundering	Criminalized ML Beyond Drugs	Know-Your-Customer Provisions	Report Large Transactions	Report Suspicious Transactions (Y/N)	Maintain Records Over Time	Disclosure Protection - "Safe Harbor"	Criminalize "Tipping Off"	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	Ability to Freeze Terrorist Assets w/o Delay	States Party to 1988 UN Drug Convention	States Party to Intl. Terror Finance Conv.	States Party to UNTOC	States Party to UNCAC	US or Int'l Org Sanctions/Penalties
Aruba²	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	
Australia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	
Austria	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	
Azerbaijan	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	
Bahamas	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	
Bahrain	Y	Y	Y	N	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	
Bangladesh	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N	
Barbados	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	
Belarus	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	
Belgium	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	
Belize	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	
Benin	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	N	
Bermuda¹	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	
Bolivia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N	
Bosnia & Herzegovina	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N	
Botswana	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	N	N	N	N	N	N	Y	Y	N	
Brazil	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	N	N	Y	Y	Y	N	
British Virgin Islands¹	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	
Brunei	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	N	Y	Y	Y	N	

² The Netherlands extended its application of the 1988 UN Drug Convention and the International Convention for the Suppression of Terrorism Financing to Aruba, Curacao and St. Maarten. The UNTOC has been extended to Aruba.

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	Actions by Governments																				
Govt/Jurisdiction	Criminalized Drug Money Laundering	Criminalized ML Beyond Drugs	Know-Your-Customer Provisions	Report Large Transactions	Report Suspicious Transactions (Y/N)	Maintain Records Over Time	Disclosure Protection - "Safe Harbor"	Criminalize "Tipping Off"	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	Ability to Freeze Terrorist Assets w/o Delay	States Party to 1988 UN Drug Convention	States Party to Intl. Terror Finance Conv.	States Party to UNTOC	States Party to UNCAC	US or Int'l Org Sanctions/Penalties
Bulgaria	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N	
Burkina Faso	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	N	Y	Y	N	Y	Y	Y	Y	N	
Burma	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	N	N	N	Y	Y	Y	Y	
Burundi	Y	Y	Y	Y	Y	Y	N	N	N	Y*	Y	Y	N	Y	Y	N	Y	N	Y	Y	
Cabo Verde	Y	Y	Y	Y	Y	Y	Y	N	Y	Y*	Y	Y	N	Y	Y	N	Y	Y	Y	N	
Cambodia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	N	
Cameroon	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	
Canada	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	
Cayman Islands ¹	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	N	N
Central African Rep.	Y	Y	Y	N	Y	Y	Y	Y	N	N	Y	N	N	Y	Y	Y	Y	Y	Y	Y	N
Chad	Y	Y	Y	N	Y	Y	Y	Y	N	Y*	Y	N	N	Y	Y	N	Y	Y	Y	N	N
Chile	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
China	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	N	Y	N	Y	Y	N	Y	Y	Y	Y	N
Colombia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Comoros	Y	Y	N	N	N	N	Y	Y	Y	Y*	Y	N	N	Y	Y	N	Y	Y	Y	Y	N
Congo, Dem Rep. of	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	N	N	Y
Congo, Rep. of	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	N	N	Y	Y	Y	Y	Y	N	Y	N
Cook Islands	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Costa Rica	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N
Cote d'Ivoire	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y
Croatia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N
Cuba	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	N	Y	N	Y	Y	Y	Y	Y	Y	Y	Y

Money Laundering and Financial Crimes

Actions by Governments		Criminalized Drug Money Laundering	Criminalized ML Beyond Drugs	Know-Your-Customer Provisions	Report Large Transactions	Report Suspicious Transactions (Y/N)	Maintain Records Over Time	Disclosure Protection - "Safe Harbor"	Criminalize "Tipping Off"	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	Ability to Freeze Terrorist Assets w/o Delay	States Party to 1988 UN Drug Convention	States Party to Intl. Terror Finance Conv.	States Party to UNTOC	States Party to UNCAC	US or Int'l Org Sanctions/Penalties	
		Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N	
Govt/Jurisdiction																							
Curacao²	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N	
Cyprus³	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	
Czech Republic	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	
Denmark	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	
Djibouti	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N	
Dominica	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N	
Dominican Republic	Y	Y	Y	Y	Y	Y	N	N	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	
Ecuador	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	
Egypt	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	
El Salvador	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N	
Equatorial Guinea	Y	Y	Y	Y	Y	Y	Y	Y	N	Y*	N	Y	N	N	N	N	N	N	N	Y	Y	N	
Eritrea	N	N	N	Y	Y	Y	N	N	Y	Y*	N	N	N	N	N	N	N	N	Y	N	N	Y	
Estonia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	
Ethiopia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	
Fiji	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	N	Y	N	
Finland	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	
France	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	
Gabon	Y	Y	Y	Y	Y	Y	Y	N	N	N	Y	Y	N	N	Y	Y	N	Y	Y	Y	Y	N	

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Area administered by Turkish Cypriots	Y	Y	Y	Y	Y	Y	N	N	Y	Y*	N	Y	N	Y	Y	Y	N/A	N/A	N/A	N/A	N
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	Actions by Governments																													
Govt/Jurisdiction	Criminalized Drug Laundering	Criminalized ML Beyond Drugs	Know-Your-Customer Provisions	Report Large Transactions	Report Suspicious Transactions (Y/N)	Maintain Records Over Time	Disclosure Protection - "Safe Harbor"	Criminalize "Tipping Off"	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	Ability to Freeze Terrorist Assets w/o Delay	States Party to 1988 UN Drug Convention	States Party to Intl. Terror Finance Conv.	States Party to UNTOC	States Party to UNCAC	US or Int'l Org Sanctions/Penalties									
Gambia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	N	Y	N	N							
Georgia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N							
Germany	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N							
Ghana	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	N	Y	Y	Y	Y	Y	Y	N							
Gibraltar ¹	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	Y	N	N							
Greece	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	N							
Grenada	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	N	N							
Guatemala	Y	Y	Y	Y	Y	Y	N	N	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	N							
Guernsey ¹	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	N							
Guinea	Y	Y	Y	N	Y	Y	Y	Y	Y	N	Y	N	N	N	N	N	N	N	Y	Y	Y	N	N							
Guinea-Bissau	Y	Y	Y	Y	Y	Y	Y	N	N	Y*	Y	Y	Y	Y	N	N	N	Y	Y	Y	Y	Y								
Guyana	Y	Y	Y	Y	Y	Y	Y	N	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y								
Haiti	Y	Y	Y	Y	Y	Y	Y	Y	N	Y*	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y								
Holy See	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N							
Honduras	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N							
Hong Kong ⁴	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N							
Hungary	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N							
Iceland	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	N							
India	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	N							
Indonesia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	Y	Y	N	Y	Y	Y	N							
Iran	Y	Y	Y	N	Y	Y	N	N	N	Y*	N	N	N	N	N	N	N	N	Y	N	N	Y	Y							

⁴ The People's Republic of China extended the 1988 UN Drug Convention, the International Convention for the Suppression of Terrorism Financing, the UNTOC and the UNCAC to the special administrative regions of Hong Kong and Macau.

Money Laundering and Financial Crimes

	Actions by Governments																				
Govt/Jurisdiction	Criminalized Drug Money Laundering	Criminalized ML Beyond Drugs	Know-Your-Customer Provisions	Report Large Transactions	Report Suspicious Transactions (Y/N)	Maintain Records Over Time	Disclosure Protection - "Safe Harbor"	Criminalize "Tipping Off"	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	Ability to Freeze Terrorist Assets w/o Delay	States Party to 1988 UN Drug Convention	States Party to Intl. Terror Finance Conv.	States Party to UNTOC	States Party to UNCAC	US or Int'l Org Sanctions/Penalties
Iraq	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	N	Y	Y	Y	N	
Ireland	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N	
Isle of Man ¹	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	
Israel ⁵	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	
Italy	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	
Jamaica	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	
Japan	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	Y	Y	N	N	
Jersey ¹	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	
Jordan	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	N	N	Y	Y	Y	Y	Y	N	
Kazakhstan	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	N	Y	Y	Y	N	
Kenya	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	
Korea, North	Y	Y	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N	N/A	N/A	N/A	N/A	N/A	N/A	Y	Y	N	
Korea, South	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	
Kosovo	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	N	N	N	N	
Kuwait	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	N	Y	Y	Y	N	
Kyrgyz Republic	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	Y	Y	Y	Y	Y	N	
Laos	Y	Y	N	N	Y	N	N	N	Y	Y*	Y	N	N	N	N	N	N	Y	Y	N	
Latvia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	
Lebanon	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N	

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Area administered by the Palestinian Authority	Y	Y	Y	Y	Y	Y	Y	Y	N	Y*	Y	Y	N	N	N	N	N	N	N	N
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	Actions by Governments																				
Govt/Jurisdiction	Criminalized Drug Money Laundering	Criminalized ML Beyond Drugs	Know-Your-Customer Provisions	Report Large Transactions	Report Suspicious Transactions (Y/N)	Maintain Records Over Time	Disclosure Protection - "Safe Harbor"	Criminalize "Tipping Off"	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	Ability to Freeze Terrorist Assets w/o Delay	States Party to 1988 UN Drug Convention	States Party to Intl. Terror Finance Conv.	States Party to UNTOC	States Party to UNCAC	US or Int'l Org Sanctions/Penalties
Lesotho	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	N		
Liberia	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	Y	Y	Y	Y	Y	Y	N	
Libya	Y	Y	Y	N	Y	Y	N	N	N	Y*	N	N	N	N	N	N	Y	Y	Y	Y	
Liechtenstein	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	
Lithuania	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	
Luxembourg	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	
Macau⁴	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	
Macedonia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	
Madagascar	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	Y	N	N	N	N	Y	Y	Y	N	
Malawi	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N	
Malaysia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N	
Maldives	Y	N	Y	Y	Y	N	Y	N	N	Y*	Y	Y	N	Y	Y	N	Y	Y	N	Y	
Mali	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	Y	Y	Y	N	
Malta	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N	
Marshall Islands	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	
Mauritania	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	
Mauritius	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N	
Mexico	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	N	
Micronesia, FS	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	Y	N	N	N	Y	Y	Y	Y	N	
Moldova	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N	
Monaco	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	
Mongolia	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	N	Y	Y	Y	N	
Montenegro	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N	

Money Laundering and Financial Crimes

	Actions by Governments																				
Govt/Jurisdiction	Criminalized Drug Money Laundering	Criminalized ML Beyond Drugs	Know-Your-Customer Provisions	Report Large Transactions	Report Suspicious Transactions (Y/N)	Maintain Records Over Time	Disclosure Protection - "Safe Harbor"	Criminalize "Tipping Off"	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	Ability to Freeze Terrorist Assets w/o Delay	States Party to 1988 UN Drug Convention	States Party to Intl. Terror Finance Conv.	States Party to UNTOC	States Party to UNCAC	US or Int'l Org Sanctions/Penalties
Montserrat¹	Y	Y	Y	N	Y	Y	Y	N	Y*	Y	Y	Y	Y	Y	Y	Y	N	N	N	N	
Morocco	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	
Mozambique	Y	Y	Y	N	Y	Y	N	N	Y	Y*	Y	Y	N	Y	Y	N	Y	Y	Y	N	
Namibia	Y	Y	Y	N	Y	Y	Y	Y	N	Y*	Y	Y	N	Y	Y	N	Y	Y	Y	N	
Nauru	Y	N	Y	Y	Y	Y	Y	Y	Y	Y*	N	Y	N	Y	Y	Y	N	Y	Y	N	
Nepal	Y	Y	Y	Y	Y	N	N	Y	Y	Y*	N	Y	N	Y	Y	Y	Y	Y	Y	N	
Netherlands	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	
New Zealand	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	
Nicaragua	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	N	
Niger	Y	Y	Y	N	Y	Y	N	Y	Y	Y*	N	Y	N	Y	Y	N	Y	Y	Y	N	
Nigeria	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N	
Niue	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	Y	Y	Y	N	
Norway	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	
Oman	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	N	
Pakistan	Y	Y	Y	N	Y	Y	Y	Y	N	Y*	Y	N	N	Y	Y	Y	Y	Y	Y	N	
Palau	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	N	N	Y	Y	Y	N	Y	N	Y	
Panama	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	
Papua New Guinea	Y	Y	Y	Y	Y	Y	Y	Y	N	Y*	Y	Y	N	N	N	N	N	N	Y	N	
Paraguay	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N	
Peru	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	
Philippines	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	
Poland	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	
Portugal	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	
Qatar	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	

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	Actions by Governments																				
Govt/Jurisdiction	Criminalized Drug Money Laundering	Criminalized ML Beyond Drugs	Know-Your-Customer Provisions	Report Large Transactions	Report Suspicious Transactions (Y/N)	Maintain Records Over Time	Disclosure Protection - "Safe Harbor"	Criminalize "Tipping Off"	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	Ability to Freeze Terrorist Assets w/o Delay	States Party to 1988 UN Drug Convention	States Party to Intl. Terror Finance Conv.	States Party to UNTOC	States Party to UNCAC	US or Int'l Org Sanctions/Penalties
Romania	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N		
Russia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N		
Rwanda	Y	Y	Y	Y	Y	Y	N	Y	Y	Y*	Y	Y	N	Y	Y	N	Y	Y	N		
St. Kitts and Nevis	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N		
St. Lucia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N		
St. Maarten ²	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	N	N		
St. Vincent and the Grenadines	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N		
Samoa	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N		
San Marino	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N		
Sao Tome and Principe	Y	Y	N	N	Y	Y	N	Y	N	Y*	Y	Y	N	Y	Y	N	Y	Y	N		
Saudi Arabia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N		
Senegal	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N		
Serbia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N		
Seychelles	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	Y	Y	N		
Sierra Leone	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	N	Y	Y	N		
Singapore	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N		
Slovak Republic	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N		
Slovenia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N		
Solomon Islands	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	N	Y	N		
Somalia	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	Y		
South Africa	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N		
South Sudan	Y	Y	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N		

Money Laundering and Financial Crimes

	Actions by Governments																				
Govt/Jurisdiction	Criminalized Drug Money Laundering	Criminalized ML Beyond Drugs	Know-Your-Customer Provisions	Report Large Transactions	Report Suspicious Transactions (Y/N)	Maintain Records Over Time	Disclosure Protection - "Safe Harbor"	Criminalize "Tipping Off"	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	Ability to Freeze Terrorist Assets w/o Delay	States Party to 1988 UN Drug Convention	States Party to Intl. Terror Finance Conv.	States Party to UNTOC	States Party to UNCAC	US or Int'l Org Sanctions/Penalties
Spain	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N		
Sri Lanka	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	N		
Sudan	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y		
Suriname	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	N		
Swaziland	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	N	N	Y	Y	N	Y	Y	N		
Sweden	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	N		
Switzerland	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N		
Syria	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	N	Y	Y	Y	Y	Y	N		
Taiwan	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N	N		
Tajikistan	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	Y	Y	N	Y	Y	N		
Tanzania	Y	Y	Y	Y	Y	Y	Y	Y	N	Y*	Y	Y	N	Y	Y	N	Y	Y	N		
Thailand	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N		
Timor-Leste	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	N	N	Y		
Togo	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	N		
Tonga	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	N	N		
Trinidad and Tobago	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N		
Tunisia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	N		
Turkey	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	Y	Y	N		
Turkmenistan	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	N	Y	Y	N		
Turks and Caicos¹	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N		
Uganda	Y	Y	Y	Y	Y	Y	N	Y	Y	N	Y	Y	N	Y	Y	N	Y	Y	N		
Ukraine	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	N		
UAE	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	N	Y	Y	Y	Y	Y	N		

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		Actions by Governments																																																										
Govt/Jurisdiction		Criminalized Drug Money Laundering	Criminalized ML Beyond Drugs	Know-Your-Customer Provisions			Report Large Transactions			Report Suspicious Transactions (Y/N)			Maintain Records Over Time			Disclosure Protection - "Safe Harbor"			Criminalize "Tipping Off"			Cross-Border Transportation of Currency			Financial Intelligence Unit (*)			Intl Law Enforcement Cooperation			System for Identifying/Forfeiting Assets			Arrangements for Asset Sharing			Criminalized Financing of Terrorism			Report Suspected Terrorist Financing			Ability to Freeze Terrorist Assets w/o Delay			States Party to 1988 UN Drug Convention			States Party to Intl. Terror Finance Conv.			States Party to UNTOC			States Party to UNCAC			US or Intl Org Sanctions/Penalties		
United Kingdom	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N																													
Uruguay	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N																														
Uzbekistan	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N																														
Vanuatu	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N																															
Venezuela	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N																															
Vietnam	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y*	Y	N	N	Y	Y	N	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	N																															
Yemen	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	N	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N																																
Zambia	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	N																																	
Zimbabwe	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y																																	

All Money Laundering and Financial Crimes Countries/Jurisdictions

Afghanistan

The Islamic Republic of Afghanistan is not a regional or offshore financial center. Terrorist and insurgent financing, money laundering, cash smuggling, abuse of informal value transfer systems, and other illicit activities designed to finance organized criminal activity continue to pose serious threats to the security and development of Afghanistan. Afghanistan remains a major narcotics trafficking and producing country, and is the world's largest opium producer and exporter. The narcotics trade, corruption, and contract fraud are major sources of illicit revenue and laundered funds. Corruption permeates all levels of Afghan government and society.

The growth in Afghanistan's banking sector has slowed considerably in recent years; and traditional payment systems, particularly hawala networks, remain significant in their reach and scale. Less than five percent of the Afghan population uses banks, depending instead on the traditional hawala system, which provides a range of financial and non-financial business services in local, regional, and international markets. Approximately 90 percent of financial transactions run through the hawala system, including foreign exchange transactions, funds transfers, trade and microfinance, as well as some deposit-taking activities. Official corruption and weaknesses in the banking sector incentivize the use of informal mechanisms and exacerbate the difficulty of developing a transparent formal financial sector in Afghanistan. The unlicensed and unregulated hawaladars in major drug areas such as Helmand likely account for a substantial portion of the illicit proceeds being moved in the financial system. Afghan business consortiums that control both hawaladars and banks allow criminal elements within these consortiums to manipulate domestic and international financial networks to send, receive, and launder illicitly-derived monies or funds intended for criminal, insurgent, or terrorism activities. The rapid depreciation of the Iranian rial in October 2012 led to increased demand for U.S. dollars in Iran and a reported increase in cash smuggling from Afghanistan to Iran.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: **criminally:** YES **civilly:** NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES

KYC covered entities: Central Bank of Afghanistan (DAB), banks, registered money service businesses (MSBs), insurance companies, dealers in precious metals and stones, lawyers, accountants, securities dealers, and real estate agents

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 631 in 2013

Number of CTRs received and time frame: 1,245,671 in 2013

STR covered entities: Banks, MSBs, hawaladars, insurance companies and securities dealers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 22 in 2012

Convictions: 0

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO *Other mechanism:* YES

With other governments/jurisdictions: YES

Afghanistan is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at:

<http://www.apgml.org/documents/docs/17/Afghanistan%20-%20published%20DAR.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Afghanistan's ability to enforce relevant laws and regulate institutions is hampered by corruption. Limited resources and lack of technical expertise and infrastructure also hamper effective regulatory oversight.

There is no clear division between the hawala system and the formal financial sector. Hawaladars often keep accounts at banks and use wire transfer services to settle their balances with other hawaladars abroad. Due to limited bank branch networks, banks occasionally use hawalas to transmit funds to hard-to-reach areas within Afghanistan. Afghanistan's financial intelligence unit, FINTRACA, reports that no MSBs or hawaladars have ever submitted suspicious transaction reports (STRs). Insurance companies and securities dealers are also technically under the regulatory regime and are required to file STRs, but the government does not enforce this requirement. Afghanistan should pass and enforce legislation to regulate financial institutions and designated non-financial businesses and professions and ensure their compliance with AML/CFT regulations. Afghanistan also should issue the necessary regulatory instruments to increase the number of MSB/hawala inspections, and expand implementation of the MSB/hawala licensing program. Afghanistan also should create an outreach program to notify and educate hawaladars about the licensing and STR filing processes. Dealers in precious metals and stones, lawyers, accountants, and real estate agents are not supervised in Afghanistan.

Border security continues to be a major challenge throughout Afghanistan, with the country's 14 official border crossings under central government control. The DAB reported that approximately \$4.6 billion in cash left Afghanistan via Kabul International Airport in 2011. Tracking cash movements across borders or through airports has become increasingly difficult with implementation of an executive order that makes it illegal to take more than \$20,000 out of the country, but eliminates the need to report outbound currency. Cargo is often exempted from any screening or inspection due to corruption at the border crossings and customs depots. Outside of official border crossings, most border areas are under-policed or not policed at all, and are particularly susceptible to cross-border trafficking, trade-based money laundering, and bulk cash smuggling. Kabul International Airport lacks stringent inspection controls for all passengers and includes a VIP lane that does not require subjects to undergo any inspections or controls. Afghanistan should strengthen inspection controls for airport passengers.

Although Afghanistan recently enacted its Law on Extradition of the Accused, Convicted Individuals and Legal Cooperation, which would seemingly allow for extradition based solely upon multilateral arrangements such as the 1988 UN Drug Convention, this interpretation conflicts with Article 28 of the Afghan Constitution which more clearly requires reciprocal agreements between Afghanistan and the requesting country. Thus, Afghanistan's law on extradition is currently unclear.

Using Presidential executive orders, the government has frozen bank accounts owned by hawala networks listed under UNSCR 1988. There are no instances of seized bank accounts, and there is no mechanism for asset sharing. Afghanistan should work with the international community to train enforcement officers, prosecutors, and judges to provide them a better understanding of the basis for seizing and forfeiting assets. Afghanistan should provide regulators and enforcement officers with the resources to carry out their oversight and investigative duties.

Afghanistan's laws related to terrorism financing are not in line with international standards and do not criminalize all elements of the terrorism financing offense. Afghanistan has taken steps toward improving its AML/CFT regime, including by establishing high-level AML/CFT coordination mechanisms. However, certain strategic AML/CFT deficiencies remain.

Afghanistan should continue to work to adequately criminalize money laundering and terrorism financing; establish and implement an adequate legal framework for identifying, tracing, and freezing terrorist assets; implement an adequate AML/CFT supervisory and oversight program for all financial sectors; establish and implement adequate procedures for the confiscation of assets related to money laundering; enhance the effectiveness of FINTRAC; and establish and implement effective controls for cross-border cash transactions.

Albania

Albania is not an important regional financial or offshore center; however, the country remains at significant risk for money laundering due to rampant corruption and weak legal and government institutions. Albania also has a large cash economy and significant money flows from abroad in the form of remittances.

Albania has a significant black market for certain smuggled goods, mainly tobacco, jewelry, stolen cars, and mobile phones, fostered by weak customs controls. Albania is a transit country for Afghan heroin and serves as a key gateway for heroin distribution throughout Europe. Local production of marijuana is also on the rise for domestic and European use. Albania serves as a base of operations for regional organized crime organizations, as illicit proceeds are easily laundered, with real estate and business development projects being the most popular methods.

Terrorism financing remains a threat in Albania. During the last decade government officials have taken action in several cases involving individuals and non-profit organizations suspected of financing terrorist activities.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.; NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES

KYC covered entities: Banks; agricultural credit institutions; life insurance companies; money exchangers; accountants, notaries, and lawyers; gaming centers and casinos; auto dealers; postal services; securities dealers; real estate agents; and travel agencies

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 558 in 2013

Number of CTRs received and time frame: 570,649 in 2013

STR covered entities: Commercial banks; non-banking financial institutions; foreign exchange offices; savings/credit companies and their unions; postal services that perform payment services; issuers or managers of debit and credit cards, checks, traveler's checks, payment orders, electronic money, or other similar instruments; stock markets and securities agents and brokers; life insurance or re-insurance companies, agents or intermediaries; pension funds; the State Authority Responsible for the Administration and Sale of Public Property and property transfer agents; games of chance, casinos and race tracks of any form; lawyers, notaries, and other legal representatives; real estate agents and appraisers; accountants and financial consultants; and the Agency of Legalization, Urbanization, and the Integration of Informal Construction/Zones

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 70 in 2013

Convictions: 12 in 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO **Other mechanism:** YES

With other governments/jurisdictions: YES

Albania is a member of the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body. Its most recent mutual evaluation can be found at:
http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Albania_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Despite passing criminal code reforms and amendments to the Law on the Prevention of Money Laundering and Financing of Terrorism in 2012, the Government of Albania's implementation efforts are lacking, as evidenced by the low number of successful prosecutions and convictions. The government has taken few steps to combat official corruption, especially in the judiciary where it plays a major role in the inability of the government to successfully prosecute criminal activity. Although the Parliament lifted official and judicial immunities in September 2012, it has not adopted the subsequent amendments necessary to implement these changes. Albania should take action to effect these changes.

The Bank of Albania has established a task force to confirm banks' compliance with customer verification rules, although enforcement remains poor in practice. The number of STRs coming from banks continues to increase as that sector matures. While Albania provides currency declaration forms at border crossing points, customs controls on cross-border transactions lack effectiveness due to a lack of resources, poor training, and corruption of customs officials.

The Albanian court system applies a high burden of proof in money laundering cases. Some, but not all, courts require a simultaneous conviction for a predicate offense before issuing a conviction for money laundering, even though the law specifically states that no predicate offense is necessary. The Supreme Court has not issued a controlling decision, so the law in this area remains in flux. Currently, no law criminalizes negligence by financial institutions in money laundering cases.

In October 2013, the Parliament approved new legislation aimed at addressing deficiencies in the regime for freezing terrorist assets, but it is still very early to assess the effectiveness of the new provisions.

The Joint Investigative Unit to Fight Economic Crime and Corruption (JIU) in the Tirana District Prosecution Office focuses efforts and builds expertise in the investigation and prosecution of financial crimes and corruption cases. The JIU prosecutes money laundering cases within the District of Tirana. Six additional regional JIUs are in operation and have similar missions. These units have jurisdiction over corruption, money laundering, and other types of economic crime. The government should continue to develop the effectiveness of these units.

Despite efforts to improve Albania's capacity to deal with financial crimes and money laundering, the government's AML/CFT regime is plagued by numerous technical deficiencies. Albania should take steps to address these deficiencies and work to deter corruption.

Algeria

The extent of money laundering through formal financial institutions in Algeria is thought to be minimal due to stringent exchange control regulations, a large segment of the economy that is cash-based, and an antiquated banking sector dominated by state-owned banks. The restricted convertibility of the Algerian dinar enables the central bank to monitor all international financial operations carried out by public and private banking institutions. Notable criminal activity includes trafficking, particularly of drugs and cigarettes, but also arms and stolen vehicles; kidnapping for ransom (KFR); theft; extortion; and embezzlement. Public corruption remains a serious concern as does terrorism. Algerian authorities are increasingly concerned by cases of customs fraud and trade-based money laundering. Other risk areas for financial crimes include unregulated alternative remittance and currency exchange systems, tax evasion, abuse of real estate transactions, commercial invoice fraud, and a cash-based economy. Most money laundering is believed to occur primarily outside the formal financial system, given the large percentage of financial transactions occurring in the informal gray and black economies in general. Al-Qaida in the Islamic Maghreb, which originated in Algeria, is currently confined to outlying areas but has a history of terrorist activity in Algiers and elsewhere in the country, including suicide attacks, KFR, roadside bomb attacks, and assassinations.

After several years of working with Algeria to address its strategic AML/CFT deficiencies, on October 18, 2013, FATF added Algeria to its Public Statement, noting Algeria's lack of sufficient progress in addressing noted deficiencies, despite its high-level political commitment to implement its action plan within established timelines. Algeria should continue to work to address remaining deficiencies, including by adequately criminalizing terrorist financing and establishing and implementing an adequate legal framework for identifying, tracing, and freezing terrorist assets.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: *criminally:* YES *civilly:* YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* NO

Money Laundering and Financial Crimes

KYC covered entities: Banks, financial leasing institutions, and investment and shareholding companies

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks, financial leasing institutions, and investment and shareholding companies; real estate agents; car dealers; and other financial professionals who advise or carry out transactions, such as deposits, exchanges, or other movements of capital

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** NO **Other mechanism:** YES

With other governments/jurisdictions: YES

Algeria is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.menafatf.org/images/UploadFiles/Mutual_Evaluation_Report_of_the_Republic_of_Algeria.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES:

Building on 2012 legislation addressing the prevention of money laundering and terrorism financing and measures to authorize judges to freeze or seize funds belonging to terrorist organizations, the government enacted a number of measures which it maintains meet international standards. These measures include Executive Decree 13-318, enacted September 16, 2013, which identifies procedures for identifying, tracing, and freezing terrorist assets pursuant to UNSCRs 1267 and 1989, including giving the CRTF, the financial intelligence unit (FIU), the authority to convey listings to covered entities and requiring financial institutions to maintain information about UN lists of designated terrorists or terrorist entities against which transactions and account holder information are automatically checked. The Algerian Parliament also amended Article 87bis of the Penal Code to bring the elements of its terrorist financing offense in line with international standards, but at the close of 2013 these amendments had not gone into effect.

Executive Decree 13-157, enacted April 15, 2013, provides measures to improve the CRTF's analytical capacity, strengthen its authority, and increase its resources. In July 2013, Algeria was admitted as a member of the Egmont Group of FIUs. In September 2013, the central bank took measures to introduce KYC requirements with its Note 966/DGIG/BA. However, businesses have noted that legal requirements are procedurally inconsistent and are not uniformly enforced. The central bank also has mechanisms in place to control and collect data on wire transfers.

Algeria continues to make progress, as evidenced by its efforts throughout 2013; however, it will take time to determine whether the laws enacted are being actively and evenly applied. The CRTF should continue outreach to the formal and informal financial sectors. In addition, given the scope of Algeria's informal economy, efforts should be made to identify value transfer mechanisms not covered by Algeria's legal and regulatory framework. Algerian law enforcement and customs authorities should enhance their ability to investigate trade-based money laundering, value transfer, and bulk cash smuggling used to finance terrorism and other illicit activities.

Andorra

Although the Principality of Andorra is not a regional financial center, it does have a well-developed financial infrastructure. The Andorran banking system is comprised of five banking groups.

The non-financial crime rate is low in Andorra, with few instances of drug-related offenses or other serious crimes.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: List approach
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** NO
KYC covered entities: Banks; leasing and factoring firms; asset, mutual fund, and risk capital management firms; exchange houses; financial advisors and intermediaries; insurance companies; lawyers, notaries, accountants, and tax advisors; dealers of precious metals and stones; real estate agents; and bingo establishments

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 29 in 2013

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks; leasing and factoring firms; asset, mutual fund, and risk-capital management firms; exchange houses; financial advisors and intermediaries; insurance companies, accountants, and tax advisors; real estate agents; notaries and other legal professionals; bingo establishments; and dealers in precious stones and metals

Money Laundering and Financial Crimes

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 9 in 2013

Convictions: 1 in 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO **Other mechanism:** YES

With other governments/jurisdictions: YES

Andorra is a member of the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body. Its most recent mutual evaluation can be found at:

http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Andorra_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In recent years Andorra has made progress in its efforts against money laundering by increasing transparency in the financial sector. Overall, the prevention system has been reinforced. Although the country has made significant improvements, both by updating legislation and signing international agreements, the Government of Andorra should continue to examine banking secrecy laws carefully to ensure privacy protections are not exploited in favor of criminal activity.

The Andorran Financial Intelligence Unit (UIF) is an independent body established to foster and coordinate measures to prevent money laundering and terrorism financing. The UIF has seen its work and resources increase as Andorra has increased its efforts to thwart those activities. Andorra has 13 tax information exchange agreements in place. The government has signed a double taxation agreement with France, which is pending ratification, and is working toward signing additional agreements with other countries.

In furtherance of its fight against organized crime, in 2012 Andorra signed a bilateral agreement with the United States regarding the sharing of confiscated proceeds and instrumentalities of crimes, and preventing criminal organizations from benefiting from the proceeds of their crimes. In 2012, Andorra also signed an arrangement with the U.S. government for cooperation in the exchange of information related to money laundering and terrorism financing.

Andorra should consider the adoption of a large currency transaction reporting system. Andorra should become a party to the UN Convention against Corruption.

Angola

Angola is not a regional financial center. It does not produce large quantities of narcotics but continues to be a transit point for drug trafficking, particularly for drugs from Brazil and other parts of South America that are destined for Europe. Increasingly, Angola is becoming a destination point as well, with a growing market for illicit drugs. Angola's borders are porous and vulnerable to general smuggling and trafficking in small arms, diamonds, humans, and motor vehicles. Angola has a high rate of U.S. dollar cash flow, although the government is

implementing new financial policies to decrease use of all currencies except the Angolan kwanza. The laundering of funds derived from widespread corruption is a concern.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** NO
KYC covered entities: Financial and credit institutions, financial groups, insurers, stock markets, casinos, lotteries, dealers in precious stones and metals, high-value goods merchants, currency exchange agencies, paycheck issuers and managers, pension fund managers, individual and collective estate management groups, accountants, auditors, notaries, registrars, attorneys, solicitors, and other independent professionals

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 18: January 1 – November 14, 2013
Number of CTRs received and time frame: Not available
STR covered entities: Credit institutions, financial groups, insurers, pension fund managers, casinos, lotteries, dealers in precious stones and metals, high-value goods merchants, currency exchange agencies, paycheck issuers and managers, individual and collective estate management groups, accountants, auditors, notaries, registrars, attorneys, solicitors, and other independent professionals

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0
Convictions: 0

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO ***Other mechanism:*** NO
With other governments/jurisdictions: YES

Angola is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a FATF-style regional body. Its most recent mutual evaluation can be found at: www.esaamlg.org/reports/view_me.php?id=248

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In 2010, Angola developed an AML/CFT action plan and made a political commitment to address noted AML/CFT deficiencies. Angola is in the process of further amending its AML/CFT law to criminalize additional predicate offenses currently not included and to allow for search and seizure of assets related to terrorist activities. By the close of 2013, however, these amendments had not yet been enacted.

Angolan law requires obliged entities to file suspicious transaction reports (STRs) with the financial intelligence unit (FIU) for transactions they know or believe may be related to money laundering or the financing of terrorism. The law prohibits the financial institutions or their employees from tipping off, but this legal prohibition does not appear to extend to citizens in their private capacity.

Angola's FIU has continued to focus on conducting outreach to covered entities, primarily financial institutions regulated by the central bank, with respect to the AML/CFT reporting requirements. The National Bank of Angola produced a webpage to assist financial institutions to learn about their responsibilities under Angolan law, as well as a handbook that discusses money laundering and terrorism financing. Currently 18 of Angola's 22 banks are reporting suspicious transactions. The FIU has developed an information technology platform to allow for electronic filing of STRs.

Angola's ability to investigate financial crimes is limited, but improving. Corruption remains a problem. Angolan politically exposed persons (PEPs) residing outside of the country are subject to due diligence requirements.

The Republic of Angola has passed national legislation that specifically criminalizes terrorism financing. Angolan law establishes mechanisms to administratively freeze funds and other resources. In cases where a financial institution finds funds or economic resources belonging to, owned, or held by persons or groups already designated by the UN Sanctions Committee or by Angolan authorities (as well as individuals or groups acting in these groups' names), the financial institutions are required to immediately freeze all associated assets.

Angola should continue to work toward addressing remaining deficiencies. Specifically, Angola should adequately criminalize money laundering and terrorist financing; establish and implement an adequate legal framework for the confiscation of funds related to money laundering; implement an adequate supervisory framework; and ensure appropriate laws and procedures are in place to provide mutual legal assistance.

Anguilla

Anguilla is a UK overseas territory with a population of approximately 15,000. There are few offenses committed on the island by the local populace that generate substantial monies or profits from crime. The economy depends heavily on luxury tourism, offshore banking, lobster fishing, and remittances from emigrants. Increased activity in the tourism industry spurred the growth of the construction sector.

The financial sector is small in comparison to other jurisdictions in the Caribbean, but the ability to register companies online, the zero-tax regime, and the use of bearer shares make Anguilla vulnerable to money laundering. The biggest perceived money laundering threat continues to come from abuses of the offshore industry in relation to mutual funds, trusts, and international business companies (IBCs). The Anguilla Financial Service Commission maintains an updated website listing active market participants. There are seven licensed domestic and offshore banks, two money service businesses, and 296 captive insurance companies.

The Eastern Caribbean Central Bank (ECCB) is Anguilla's monetary authority. Anguilla's currency is the East Caribbean (EC) dollar, used by eight of the nine ECCB jurisdictions. There is little evidence the common use of the EC dollar significantly raises the risk for money laundering.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: NO
KYC covered entities: Domestic and offshore banks, money transfer agents, insurance companies, mutual funds and fund intermediaries, company managers and service providers, trusts, securities brokers and dealers, dealers in high-value goods and precious metals and stones, lawyers, accountants, notaries, and real estate agents

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available
Number of CTRs received and time frame: Not available
STR covered entities: Domestic and offshore banks, money transfer agents, insurance companies, mutual funds and fund intermediaries, company managers and service providers, trusts, securities brokers and dealers, dealers in high-value goods and precious metals and stones, lawyers, accountants, notaries, and real estate agents

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: Not available

RECORDS EXCHANGE MECHANISM:

Money Laundering and Financial Crimes

With U.S.: MLAT: YES Other mechanism: YES
With other governments/jurisdictions: YES

Anguilla is a member of the Caribbean Financial Action Task Force (CFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: [http://www.cfatf-gafic.org/downloadables/mer/Anguilla_3rd_Round_MER_\(Final\)_English.pdf](http://www.cfatf-gafic.org/downloadables/mer/Anguilla_3rd_Round_MER_(Final)_English.pdf)

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Anguilla prohibits anonymous accounts, and continues to seek offshore financial business, offering business and tax structures and company formation which allow some degree of anonymity. IBCs can be incorporated by company service providers in Anguilla without the requirement to publicly register shareholders or directors. Once incorporated, an IBC is capable of holding assets and operating bank accounts, both on Anguilla and in other jurisdictions. IBCs were used as “flow through” accounts, facilitating the mingling of monies, confusing money trails and generally assisting the layering process in money laundering; there was only one instance where money from suspected IBC abuse remained in Anguilla. IBC abuse remains responsible for a significant proportion of suspicious activity reports.

Anguilla’s record-keeping requirements do not meet international standards. Requirements to retain records of accounts are not uniform across different types of companies and accounts, and there is no requirement to keep underlying documentation, or to maintain records for five years.

A UK Caribbean overseas territory, Anguilla cannot sign or ratify international conventions in its own right. The UK is responsible for Anguilla’s international affairs and may arrange for the ratification of any convention to be extended to Anguilla. The 1988 UN Drug Convention was extended to Anguilla in 1995. In April 2011, Anguilla’s Executive Council agreed in principle to extend the UN Convention against Corruption to Anguilla and requested a legislative analysis to ascertain the changes necessary to implement the Convention. The International Convention for the Suppression of the Financing of Terrorism and the UN Convention against Transnational Organized Crime have not yet been extended to Anguilla.

Antigua and Barbuda

Antigua and Barbuda remains a substantial offshore center which continues to be vulnerable to money laundering and other financial crimes. An increase in drug trafficking, a large financial sector, and a growing internet gaming industry likewise add to its susceptibility. Antigua and Barbuda’s Office of National Drug Control and Money Laundering Policy (ONDPC) continues to strive to eradicate transnational drug trafficking, money laundering, and the financing of terrorism through a three-pronged approach in the areas of financial intelligence and investigation, AML/CFT compliance, and counternarcotics operations. The ONDPC’s analysis in 2013 shows that criminals exploit the financial system as financial institutions often fail to apply sufficiently rigorous due diligence investigation to suspicious transactions.

Casinos and internet gaming remain a strong presence in Antigua and Barbuda. Internet gaming companies are supervised through the ONDPC. Regulations require companies to incorporate as

international business corporations and maintain a physical presence on the island. Additionally, domestic casinos must incorporate as domestic corporations. The Government of Antigua and Barbuda receives approximately \$3,120,000 per year from license fees and other charges related to the internet gaming industry. A nominal free trade zone (FTZ) in the country attempts to attract investment in areas the government deems a priority. Casinos and sports book-wagering operations in Antigua and Barbuda's FTZ are supervised by the ONDCP and the Directorate of Offshore Gaming.

Shell companies are not permitted in Antigua and Barbuda. All certified institutions are required to have a physical presence, which means the presence of at least one full-time senior officer and availability of all files and records. International companies are authorized to possess bearer shares. However, the license application requires disclosure of the names and addresses of directors (who must be natural persons), the activities the corporation intends to conduct, the names of shareholders, and number of shares they will hold. Registered agents or service providers are compelled by law to know the names of beneficial owners. Failure to provide information or giving false information is punishable by a fine of \$50,000. Offshore financial institutions are exempt from corporate income tax.

Currently, the Eastern Caribbean Central Bank (ECCB) supervises Antigua and Barbuda's domestic banking sector, along with the domestic sectors of seven other Caribbean jurisdictions.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES
KYC covered entities: Banks, international offshore banking businesses, venture risk capital funds, and money transmission services; credit card companies; issuers of travelers' checks, money market instruments, and financial and commodity-based derivative instruments; money brokers, money lenders, pawn dealers, and money exchangers; real property businesses, building societies, and trust businesses; casinos and Internet gaming and sports betting enterprises; insurance businesses; travel agents; company service providers; dealers in high-value luxury items, jewelry, precious metals, cars and art; attorneys, notaries and accountants

REPORTING REQUIREMENTS:

Money Laundering and Financial Crimes

Number of STRs received and time frame: 138: January 1 – November 10, 2013

Number of CTRs received and time frame: 92: January 1 – November 10, 2013

STR covered entities: Banks, international offshore banking businesses, venture risk capital funds, and money transmission services; credit card companies; issuers of travelers' checks, money market instruments, and financial and commodity-based derivative instruments; money brokers, money lenders, pawn dealers, and money exchangers; real property businesses, building societies, and trust businesses; casinos and Internet gaming and sports betting enterprises; insurance businesses; travel agents; company service providers; dealers in high-value luxury items, jewelry, precious metals, cars and art; attorneys, notaries and accountants

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 9 in 2013

Convictions: 4 in 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES **Other mechanism:** YES

With other governments/jurisdictions: YES

Antigua and Barbuda is a member of the Caribbean Financial Action Task Force (CFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at:

https://www.cfatf-gafic.org/index.php?option=com_docman&task=cat_view&gid=355&Itemid=418&lang=en

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Recent amendments made to the Money Laundering Prevention Act, 2013 (MLPA) categorize human trafficking and migrant smuggling as money laundering predicate offenses.

In an effort to enhance the supervisory regime in Antigua and Barbuda, Section 7 of the MLPA was amended by the Money Laundering (Prevention) (Amendment) Act, 2013 to give full powers to the supervisory authority to comprehensively examine all departments within financial institutions for AML/CFT compliance. Section 7 authorizes the supervisory authority to impose sanctions and pursue court orders to compel financial institutions to grant access to all required records, documents, and information. Financial institutions also are subject to fines of 50,000 EC (approximately \$18,500) on summary conviction, and a penalty of 1,000 EC (approximately \$370) is assessed for each day the offense continues. Section 17 provides for the assessment of administrative penalties pursuant to the MLPA.

Argentina

Argentine and international observers express concern that money laundering related to narcotics trafficking, corruption, contraband, and tax evasion occurs throughout the financial system. Observers also believe most money laundering operations in Argentina are conducted through transactions involving specific offshore centers. The most common money laundering operations in the non-financial sector involve transactions made through attorneys, accountants,

corporate structures, and the real estate sector. The widespread use of cash (including U.S. dollars) in the economy also leaves Argentina vulnerable to money laundering. Tax evasion is the predicate crime in the majority of money laundering investigations.

Argentina has a long history of capital flight and tax evasion. Traditionally, Argentina is an economy with strong links to U.S. currency. Many Argentines prefer to hold their savings in U.S. dollars and/or dollar-denominated assets as a hedge against inflation and peso devaluation that commonly occur in the Argentine economy. Government restrictions on access to foreign exchange create a thriving black market for U.S. currency, with an unofficial exchange valuing the dollar more than 50 percent higher than the official government rate. Argentines hold billions of U.S. dollars outside the formal financial system, both offshore and in country, much of it legitimately earned money that was not taxed. Estimates of the size of the informal economy vary from 25 to 40 percent, though it is clear that a very significant amount of economic activity is taking place outside of government supervision. The general vulnerabilities in the system expose Argentina to a risk of terrorism financing.

Argentina is a source country for precursor chemicals and a transit country for cocaine produced in Bolivia, Peru, and Colombia, and for marijuana produced in Paraguay. While most of the cocaine transiting Argentina is bound for the European market, virtually all of the marijuana is for domestic or regional consumption; there was an increase in domestic drug consumption and production. Argentine officials also identify smuggling, corruption, and different types of fraud as major sources of illegal proceeds. The unofficial peso-dollar exchange market provides significant illicit revenue and opportunities for arbitrage. Informal value transfers occur when unregistered importers, for example, use entities that move U.S. currency in bulk to neighboring countries where it is deposited and wired to U.S. accounts or to offshore destinations. Products from the United States are often smuggled into Argentina, or the shipping manifests are changed to disguise the importer and merchandise. U.S. law enforcement agencies consider the tri-border area (Argentina, Paraguay, and Brazil) to be a major source of smuggling, especially of pirated products.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES

Money Laundering and Financial Crimes

KYC covered entities: Banks, financial companies, credit unions, trusts, tax authority, customs, currency exchange houses, casinos, athletic societies, securities dealers, insurance companies, accountants, notaries public, dealers in art and antiques, jewelers, real estate registries, real estate agents, money remitters, charitable organizations, auto and boat dealers, and postal services

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 35,705 in 2012

Number of CTRs received and time frame: Not available

STR covered entities: Banks, financial companies, credit unions, trusts, tax authority, customs, currency exchange houses, casinos, athletic societies, securities dealers, insurance companies, accountants, notaries public, dealers in art and antiques, jewelers, real estate registries, real estate agents, money remitters, charitable organizations, auto and boat dealers, and postal services

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 20: January – September 2013

Convictions: 0: January – September 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES **Other mechanism:** YES

With other governments/jurisdictions: YES

Argentina is a member of the FATF and the Financial Action Task Force against Money Laundering in South America (GAFISUD), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.fatf-gafi.org/dataoecd/3/60/46695047.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In 2011, Argentina passed Law 26.734, which criminalizes the financing of terrorist organizations, individuals, and acts, and increases monetary fines and prison sentences for crimes linked to terrorism financing. The Government of Argentina's implementation of Law 26.734 remains mixed. To date, most applications of this law were targeted at individuals wanted for actions that took place during Argentina's military dictatorship. In one case breaking with this pattern, in March 2013 the FIU reacted to reports that an individual under indictment was wanted for international terrorism-related crimes and exercised its power to freeze assets. To date, the FIU has not frozen terrorist assets based on intelligence it developed through its own investigations.

Argentina established a new prosecutorial unit to address money laundering and other financial crimes. A chief prosecutor oversees specially appointed ad hoc prosecutors focused on six operating areas: money laundering and terrorism financing; economic and bank fraud; capital markets; tax fraud and smuggling; insolvency and bankruptcy; and, government related crimes. This prosecutorial unit signed a memorandum of understanding with the FIU promising closer cooperation and better information sharing. Opposition lawmakers noted the ad hoc method of appointing prosecutors makes them more likely to be politically dependent on the executive

branch. Commentators have raised concerns about the prosecutorial independence of this new organization.

In an attempt to attract U.S. dollars held by nationals, Argentina instituted a voluntary tax compliance program that allowed undeclared U.S. dollars to be exchanged for certificates of deposits or bonds. The certificates of deposits were designed to be used in real estate transactions and could be redeemed for U.S. dollars after they were used in a commercial transaction. The bonds were designed to channel money into energy and infrastructure projects. Originally scheduled to run from June to September, the program was extended to the end of 2013, after attracting minimal interest from Argentine taxpayers.

Argentina continues to make substantial progress on its action plan to address AML/CFT deficiencies. Changes to the AML/CFT regime raise public awareness of AML efforts and improve the financial sector's approach to customer due diligence. While Argentina made progress, its assessment of suspicious transaction reports (STRs) has not shown the progress that many experts expected. The number of STRs the FIU receives increased dramatically over the past few years, but analysis of these reports and conversion to actionable intelligence continues to lag.

Technical deficiencies and challenges still remain in closing legal and regulatory loopholes. Most of the challenges Argentina now faces are in implementing laws and regulations in a proper, non-politicized manner. Going forward, the government should continue to address the implementation of these laws to demonstrate the effectiveness of its AML/CFT infrastructure. Argentina also should take steps to foster the principals of transparency and good governance; criminalize tipping off; foster a culture of AML/CFT compliance; combat corruption; insure the court system is efficient; and, build high ethical standards for police officers, prosecutors and judges, as well as professionals such as lawyers, accountants, and auditors.

Armenia

Armenia is not a regional financial center and is not believed to be at major risk for money laundering or terrorist financing, yet government corruption, an organized crime presence, and a large shadow economy make the country vulnerable. According to authorities, drugs such as heroin from Afghanistan and amphetamines from Russia and Turkey transit the country and are also abused domestically. Nevertheless, the major sources of laundered proceeds likely stem from theft, tax evasion, and fraudulent financial activity, particularly transactions with forged credit cards.

Money laundering in Armenia generally takes place through the banking system, through remittances from Armenians living abroad, and through high-value transactions such as real estate purchases and misuse of the international gold trade. Casinos are legal and are regulated by the Ministry of Finance.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

Money Laundering and Financial Crimes

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach
Are legal persons covered: **criminally:** NO **civilly:** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: **Foreign:** YES **Domestic:** NO

KYC covered entities: Banks and exchange houses; real estate agents; notaries, lawyers, accountants, and auditors; dealers in artwork and precious metals and stones; auction organizers; casinos and organizers of prize games, lotteries, and internet prize games; trust and company service providers; credit bureaus, the State Cadaster, and the State Registry

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 156: January 1 – November 1, 2013

Number of CTRs received and time frame: 148,208: January 1 – November 1, 2013

STR covered entities: Banks, credit organizations, and exchange houses; money transfer providers; investment service providers; central depository for regulated market securities; insurance companies and brokers; pawnshops; real estate agents; notaries, lawyers, accountants, and auditors; dealers in artwork and precious metals and stones; auction organizers; casinos and organizers of prize games, lotteries, and internet prize games; trust and company service providers; credit bureaus, the State Cadaster, and the State Registry

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 7: January 1 – June 1, 2013

Convictions: 2: January 1 – June 1, 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** NO **Other mechanism:** NO

With other governments/jurisdictions: YES

Armenia is a member of the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body. Its most recent mutual evaluation can be found at:

http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Armenia_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

On March 21, 2013, amendments to the Law on Combating Money Laundering and Terrorism Financing and to fourteen additional laws regulating the AML/CFT framework passed the first reading in the National Assembly. These amendments address, among other items,

administrative sanctions, asset forfeiture provisions, the identification of predicate offenses for money laundering, and the adoption of a mechanism to freeze terrorist assets.

The Government of Armenia is gradually increasing the number of money laundering investigations and prosecutions. The financial intelligence unit (FIU) cooperates with U.S. law enforcement agencies when requested.

The government should provide criminal penalties for legal persons involved in money laundering, criminalize tipping off, and require additional scrutiny for domestic politically exposed persons (PEPs). Armenian authorities and the FIU should ensure all covered reporting sectors provide mandated financial intelligence reports to the FIU. The government is seeking international assistance to better regulate its activities.

Aruba

Aruba is a semi-autonomous entity within the Kingdom of the Netherlands. Aruba has sovereignty on most internal matters but defers to the Kingdom in matters of defense, foreign policy, final judicial review, human rights, and good governance. Aruba is not considered a regional financial center. Because of its location, Aruba is a transshipment point for drugs from South America bound for the United States and Europe, and a transshipment point for currency flowing in the opposite direction. Bulk cash smuggling represents a risk due to the location of Aruba between North and South America. Money laundering is primarily related to proceeds from illegal narcotics by domestic and foreign criminal organizations, and occurs through real estate purchases and international tax shelters. There is no significant black market for smuggled goods on Aruba.

The Dutch Kingdom released its 2012 Threat Monitor Organized Crime (NDB), a quadrennial report on the nature and threat of organized crime within the Kingdom. The NDB establishes an integrated framework for tracking organized crime in the Caribbean region, and under the framework, government agencies are working more closely together, including through greater information sharing.

The Free Zone Aruba NV (FZA) is a government-owned limited liability company with three locations. All companies with free zone status are reviewed and controlled by the FZA, which also has an integrity system in place to deter illegal activities, including smuggling and money laundering. Financial services, banks, and insurance companies are not permitted to operate in the free zones.

There are 13 casinos, and online gaming is allowed under a licensing and reporting system.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN

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THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: **criminally:** YES **civilly:** NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: **Foreign:** YES **Domestic:** YES

KYC covered entities: Banks, life insurance companies, money transfer companies, investment companies, trust and company service providers, casinos, lawyers, civil notaries, accountants, tax advisors, realtors, and dealers in precious metals, stones, and other high-value objects

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 1,501: January - June 2013

Number of CTRs received and time frame: 7,250: January - June 2013

STR covered entities: Banks, life insurance companies, money transfer companies, lawyers, civil notaries, accountants, tax advisors, casinos, dealers in jewels and precious metals, realtors, and dealers in art, antiques, vehicles, aircraft, and ships

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 37: December 1, 2012 – October 13, 2013

Convictions: 22: November 10, 2012 – October 13, 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES **Other mechanism:** YES

With other governments/jurisdictions: YES

Aruba is a member of the Caribbean Financial Action Task Force (CFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: https://www.cfatf-gafic.org/index.php?option=com_docman&Itemid=418&lang=en

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Aruba’s money laundering laws do not cover proceeds generated from counterfeiting and piracy of products, insider trading, market manipulation, many types of environmental crimes, or fraud. Aruba does not have a suspicious transaction reporting system but rather a broader unusual transaction reporting system. The ministerial decree of April 2013 replaces previous indicators and establishes new reporting thresholds. Service providers are required to report large cash transactions of \$14,000 or more, wire transactions of \$278,000 or more, other unusual transactions, and transactions suspected to be related to money laundering or terrorist financing, including those related to persons or groups listed on the UN sanctions list.

The State Ordinance for the Prevention and Combating of Money Laundering and Terrorist Financing came into effect in October 2013. The ordinance amends Aruba’s legislation to fortify

and incorporate technical adjustments to the supervision of credit companies, insurers, money transport companies, and trust companies. New rules were introduced regarding client identification and verification by financial institutions and certain non-financial professionals and institutions, as well as the reporting of unusual transactions by these institutions and professionals.

Aruba's AML/CFT State Ordinance contains rules for customer due diligence, unusual transaction reporting, record-keeping, supervision, enforcement, and information exchange for AML/CFT purposes. The ordinance also requires wire transfers to have originator information. Aruba's Central Bank AML/CFT handbook contains a section for supervised financial institutions and trust company service providers. Additional information is required with regard to the fit and proper testing of key persons (shareholders and policy makers) of regulated entities.

Aruba no longer lists specific predicate offenses for money laundering; proceeds from any serious crime can qualify as laundered funds.

The Kingdom of the Netherlands, of which Aruba is an autonomous constituent part, may arrange for the ratification of any convention to be extended to Aruba. The Kingdom extended the application to Aruba of the 1988 UN Drug Convention in 1999; the UN International Convention for the Suppression of the Financing of Terrorism in 2005; and the UN Convention against Transnational Organized Crime in 2007. The Kingdom has not yet extended the application of the UN Convention against Corruption to Aruba.

Australia

Australia has deep, liquid financial markets and is recognized as a leader in investment management, as well as areas such as infrastructure financing and structured products. Australia is a financial services hub within the Asia-Pacific region, supported by a number of government initiatives such as the implementation of an investment manager regime and measures to provide tax exemption or tax relief for foreign managers. Finance and insurance are the largest sectors in the Australian economy. Australia has one of the largest pools of consolidated assets under management globally, valued at about AUD \$1.8 trillion (approximately \$1.6 trillion). It is also a significant destination for foreign direct investment.

According to the Australian Crime Commission, money laundering is a key risk to Australia. It is the common element in almost all serious and organized crime. Recent estimates suggest the level of money laundered in and through Australia is at least AUD \$10 billion a year (approximately \$8.9 billion). However, the full cost of money laundering to the Australian economy is likely to be much higher when lost tax revenues and the full scope of unreported proceeds of crime are taken into account.

A 2011 Australian Transaction and Reports Analysis Center (AUSTRAC) report identifies four key features of money laundering in the country: intermingling legitimate and illicit financial activity through cash intensive businesses or front companies; engaging professional expertise, such as lawyers and accountants; the use of money laundering syndicates to provide specific money laundering services to domestic and international crime groups; and the

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“internationalization” of the Australian crime environment, a reflection of the pervasive international money laundering ties of Australia-based organized criminal groups. The report also notes that major money laundering channels are prevalent in the following sectors: banking, money transfer and alternative remittance services, gaming, and luxury goods. Less visible conduits include legal persons and arrangements, cash intensive businesses, electronic payment systems, cross-border movement of cash and bearer negotiable instruments, international trade, and investment vehicles.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: **criminally:** YES **civilly:** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES

KYC covered entities: Banks; gaming and bookmaking establishments and casinos; bullion and cash dealers and money exchanges and remitters; electronic funds transferors; insurers and insurance intermediaries; securities or derivatives dealers; registrars and trustees; issuers, sellers, or redeemers of traveler's checks, money orders, or similar instruments; preparers of payroll, in whole or in part in currency, on behalf of other persons; and currency couriers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 44,062: July 2012 - June 2013

Number of CTRs received and time frame: 5,224,751: July 2012 - June 2013

STR covered entities: Banks; gaming and bookmaking establishments and casinos; bullion and cash dealers and money exchanges and remitters; electronic funds transferors; insurers and insurance intermediaries; securities or derivatives dealers; registrars and trustees; issuers, sellers, or redeemers of traveler's checks, money orders, or similar instruments; preparers of payroll, in whole or in part in currency, on behalf of other persons; and currency couriers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 78: July 2012 - June 2013

Convictions: 64: July 2012 - June 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* YES *Other mechanism:* YES

With other governments/jurisdictions: YES

Australia is a member of the FATF and of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent evaluation can be found at: <http://www.fatf-gafi.org/countries/a-c/australia/documents/mutualevaluationofaustralia.html>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Australia maintains a comprehensive system to detect, prevent, and prosecute money laundering. The Attorney General's Department is the policy agency responsible for the Anti-Money Laundering and Counter-Terrorism Financing Act of 2006 (AML/CFT Act) in collaboration with AUSTRAC, which administers the Act and is also the country's AML regulator and financial intelligence unit.

In previous years, only the figure for significant cash transaction reports (CTR) was reflected. For the first time in fiscal year 2013 reporting, the CTR total now includes threshold transaction reports submitted by entities regulated under the AML/CFT Act that also are regulated under the Financial Transaction Reports Act 1988. This reporting change accounts for the significant difference between these figures for 2012 and 2013.

Third-party deposits, which can be used as vehicles to facilitate money laundering, are legal in Australia. Authorities are working to limit the associated risks in Australia's financial system.

Australia's financial system benefits from its global best practices regulatory regime. AUSTRAC works collaboratively with Australian industries and businesses to promote their compliance with AML/CFT legislation. Australia has active interagency task forces, and consultations with the private sector are frequent. Australian law enforcement agencies investigate an increasing number of cases that directly involve offenses committed overseas.

Australia's Criminal Assets Confiscation Taskforce brings together agencies with key roles in the investigation and litigation of proceeds of crime matters. The Taskforce should enhance the identification of potential asset confiscation matters and strengthen their pursuit.

Austria

Austria is a major regional financial center, and Austrian banking groups control significant shares of the banking markets in Central, Eastern, and Southeastern Europe. Money laundering occurs to some extent within the Austrian banking system as well as in non-bank financial institutions and businesses. Money laundered by organized crime groups derives primarily from fraud, smuggling, corruption, narcotics trafficking, and trafficking in persons. Theft, drug trafficking, and fraud are the main predicate crimes in Austria according to conviction and investigation statistics. Austria is not an offshore jurisdiction and has no free trade zones.

Casinos and gambling are legal in Austria. The laws regulating casinos include AML/CFT provisions. There are migrant workers in Austria who send money home via all available channels, including regular bank transfers and money transmitters, but also informal and illegal remittance systems. No information is available to what extent informal systems are used.

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For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: Combination approach

Are legal persons covered: *criminally:* YES *civilly:* NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* NO

KYC covered entities: Banks and credit institutions; domestic financial institutions authorized to conduct financial leasing, safe custody, portfolio and capital consulting, credit reporting, and mergers and acquisitions services; brokers and securities firms; money transmitters and exchanges; insurance companies and intermediaries; casinos; all goods dealers; auctioneers and real estate agents; lawyers, notaries, certified public accountants, and auditors

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 1,665 in 2012

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks and credit institutions; domestic financial institutions authorized to conduct financial leasing, safe custody, portfolio and capital consulting, credit reporting, and mergers and acquisitions services; brokers and securities firms; money transmitters and exchanges; insurance companies and intermediaries; casinos; all goods dealers; auctioneers and real estate agents; lawyers, notaries, certified public accountants, auditors, and customs officials

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 409 in 2012

Convictions: 11 in 2012

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* YES *Other mechanism:* YES

With other governments/jurisdictions: YES

Austria is a member of the FATF. Its most recent mutual evaluation can be found at:

<http://www.fatf-gafi.org/dataoecd/22/50/44146250.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Austria has an “all serious crimes” approach to the criminalization of money laundering plus a list of predicate offenses that do not fall under the domestic definition of serious crimes, but which Austria includes to comply with international legal obligations and standards. Asset freezing authority applies to all economic resources including financial funds, real estate, companies, and vehicles.

Austrian banks have strict legal requirements regarding secrecy. Banks and other financial institutions must not divulge or exploit secrets that are revealed or made accessible to them exclusively on the basis of business relations with customers. However, the law stipulates that secrecy regulations do not apply with respect to banks’ obligation to report suspicious transactions in connection with money laundering or terrorism financing, or with respect to ongoing criminal court proceedings. Any amendment of these secrecy regulations requires a two-thirds majority approval in Parliament.

The Austrian Financial Market Authority (FMA) regularly updates a regulation issued January 1, 2012, which mandates banks and insurance companies apply additional special due diligence in doing business with designated countries. The FMA regulation currently includes 15 jurisdictions. This regulation is based, in part, on FATF statements on jurisdictions with AML/CFT deficiencies.

A January 2012 report issued by the Organization for Economic Co-operation and Development criticizes Austria’s AML controls, stating that Austria should implement stronger measures to fight cross-border corruption and money laundering. The report also singles out the Austrian Banker’s Association by citing the group as an obstacle to law enforcement investigations and also notes Austria’s gaming sector needs stricter monitoring.

During the last year, there was a significant drop in the number of STRs filed. In addition, the number of AML convictions in relationship to the amount of prosecutions is quite low.

While there is no enhanced customer due diligence for Austrian politically exposed persons (PEPs), procedures are being established. Austria should ensure domestic PEPs are subject to increased due diligence.

Azerbaijan

Azerbaijan is a rapidly growing economy, at the crossroads of Europe and central Asia, with vast amounts of natural resources. As in previous years, the majority of international trade and foreign investment took place in the energy sector. All other sectors lagged energy in growth and sophistication, including the financial sector. Azerbaijan’s traditional ties, long-standing trade relationships, and common border with Iran, make Azerbaijan’s financial institutions vulnerable to being used by foreign entities looking to conduct money laundering/terrorism financing transactions. The major source of criminal proceeds in Azerbaijan is endemic public corruption, which cuts across all sectors. International reports identify Azerbaijan as a transit country for the Afghan drug trade; Azerbaijani authorities suspect this illicit drug trade generates a significant amount of illicit funds. It is likely the current Iranian sanctions regime also has forced illicit funding and trade into and out of Azerbaijan. Other generators of illicit funds

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include robbery, tax evasion, smuggling, the non-profit sector, fraud, and organized crime. Money laundering likely occurs in the formal financial sector, non-bank financial systems, and alternative remittance systems. There is a significant black market for smuggled goods in Azerbaijan, which serves as a transit country for illicit goods.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/i/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: **criminally:** YES **civilly:** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: NO

KYC covered entities: Banks; insurance and reinsurance companies and intermediaries; notaries, lawyers, and auditors; company formation agents and asset managers; real estate brokers and agents; pawnshops; securities brokers and investment funds; lotteries; the National Post; and non-governmental organizations (NGOs)

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 400: January 1 - November 1, 2013

Number of CTRs received and time frame: 242,417; January 1 - November 1, 2013

STR covered entities: Banks and money remitters; insurance and reinsurance companies and intermediaries; securities brokers and investment funds; leasing companies; company formation agents and asset managers; lawyers and auditors; real estate brokers and agents; lotteries; pawnshops; and NGOs

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 1: January 1 - June 25, 2013

Convictions: 1 in 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* NO *Other mechanism:* YES

With other governments/jurisdictions: YES

Azerbaijan is a member of the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body. Its most recent mutual evaluation can be found at:

[http://www.coe.int/t/dghl/monitoring/moneyval/Evaluations/round3/MONEYVAL\(2008\)27Rep-AZE3_en.pdf](http://www.coe.int/t/dghl/monitoring/moneyval/Evaluations/round3/MONEYVAL(2008)27Rep-AZE3_en.pdf)

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Azerbaijan has made efforts to address financial institution vulnerability by bolstering the capabilities of its Financial Monitoring Service (FMS), implementing regulations in line with international standards, and working with donor support to implement systems to improve financial reporting. The FMS, Azerbaijan's financial intelligence unit (FIU) under the Central Bank of the Republic of Azerbaijan, has worked to improve data collection, storage, and analysis. However, the lack of interagency cooperation and inadequate training significantly diminish its analytic and investigative abilities.

The anti-money laundering law excludes from the list of covered entities dealers of arts, antiques, and other high-value consumer goods; entities dealing with jewelry and precious metals; travel agencies; and auto dealers. These entities are not required to maintain customer information or report suspicious activity. The shortcomings should be addressed.

The small number of prosecutions and convictions demonstrate, in part, that there is too much emphasis on initiating money laundering investigations via the filing of suspicious transaction reports (STRs). Public corruption is also a concern. Azerbaijan law enforcement and customs authorities should be trained to recognize money laundering at the street level and in the ports. They should emphasize border enforcement and counter-smuggling techniques. Concerned enforcement agencies also should examine regional trade-based money laundering and value transfer networks, and the link to tax evasion and underground financial systems.

Bahamas

The Commonwealth of The Bahamas is an important regional and offshore financial center. The economy of the country is heavily reliant upon tourism, tourist-driven construction, and the offshore financial sector. The Bahamas remains a transit point for illegal drugs bound for the United States and other international markets. The major sources of laundered proceeds are drug trafficking, gun trafficking, illegal gambling, and human smuggling. There is a significant black market for smuggled cigarettes and guns. Money laundering trends include the purchase of real estate, large vehicles, boats, and jewelry, as well as the processing of money through a complex web of legitimate businesses and international business companies (IBCs) registered in the offshore financial sector. Drug traffickers and other criminal organizations take advantage of the large number of IBCs and offshore banks registered in The Bahamas to launder significant sums of money, despite strict know-your-customer and transaction reporting requirements.

The archipelagic nature of The Bahamas and its proximity to the United States make the entire country accessible by all types of watercraft, including small sail boats and power boats, thereby making smuggling and moving bulk cash relatively easy. The country has one large free trade zone (FTZ), Freeport Harbor. The FTZ is managed by a private entity, the Freeport Harbor Company, owned and operated through a joint venture between Hutchison Port Holdings (a subsidiary of Hutchison Whampoa, based in Hong Kong) and The Port Group (The Grand Bahama Port Authority, the Bahamian parastatal regulatory agency). Businesses at the harbor

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include private boats, ferry and cruise ship visits, roll-on/roll-off facilities for containerized cargo, and car transshipments. Freeport Harbor has the closest offshore port to the United States.

Gaming is legal for tourists. The Bahamas has four large casinos, including a recently opened casino in Bimini that draws in customers from the United States via a new ferry service to Miami. The \$2.6 billion Chinese Export-Import Bank-funded Baha Mar Casino and Resort is scheduled to open in December 2014 on New Providence Island, and is set to be the largest casino in the Caribbean. Current law excludes Bahamian citizens, permanent residents, and temporary workers from gambling in The Bahamas. Illicit gaming operations based on U.S.-based lottery results and the internet, locally known as “web shops,” flourish in The Bahamas. A referendum that would have legalized web shop gaming failed in January 2013.

For additional information focusing on terrorist financing, please refer to the Department of State’s Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks and trust companies, insurance companies, securities firms and investment fund administrators, credit unions, financial and company service providers, cooperatives, societies, casinos, lawyers, accountants, and real estate agents

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 183 in 2011
Number of CTRs received and time frame: Not applicable
STR covered entities: Banks and trust companies, insurance companies, securities firms and investment fund administrators, credit unions, financial and company service providers, cooperatives, societies, casinos, lawyers, accountants, and real estate agents

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2012

Convictions: 0 in 2012

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES ***Other mechanism:*** YES

With other governments/jurisdictions: YES

The Bahamas is a member of the FATF and the Caribbean Financial Action Task Force, (CFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: https://www.cfatfgafic.org/index.php?option=com_content&view=category&layout=blog&id=376&Itemid=561&lang=en

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of the Commonwealth of The Bahamas should provide adequate resources to its law enforcement, judicial, and prosecutorial bodies in order to enforce existing legislation and to safeguard the financial system from possible abuses. Gaming will expand in 2014, due to the growth of casino gaming and possibly from the legalization of “web shop” gaming. With this expansion, the government should ensure proper safeguards are in place, and provide additional suspicious transaction report (STR) training. The financial intelligence unit should continue its outreach, training and coordination with Royal Bahamas Police Force financial investigators. The Bahamas should further enhance its AML/CFT regime by criminalizing bulk cash and human smuggling; implementing the National Strategy on the Prevention of Money Laundering; ensuring full compliance with UNSCRs 1267 and 1373; passing proposed legislation to criminalize the participation in organized criminal groups; establishing a currency transaction reporting system; and, implementing a system to collect and analyze information on the cross-border transportation of currency. It also should ensure there is a public registry of the beneficial owners of all entities licensed in its offshore financial center.

The inaugural meeting of the government’s National Anti-Money Laundering Task Force was held in October. The Task Force, which meets monthly, is led by the Inspector at the Compliance Commission and includes representatives from the government and private sector. The goal of the body is to implement and comply with international standards to prevent and control money laundering and combat terrorist financing. The Task Force also will seek to engender a culture of AML in The Bahamas.

Bahrain

Bahrain is a leading financial center in the Gulf region. In contrast to its Gulf Cooperation Council neighbors, Bahrain has a primarily service-based economy, with the financial sector providing nearly 20 percent of GDP. It hosts a diverse group of financial institutions, including 111 banking licenses, 18 money changers, and several other investment institutions, including 159 insurance organizations. The greatest risk of money laundering stems from illicit proceeds of foreign origin that transit the country. The vast network of Bahrain’s banking system, along with its geographical location in the Middle East as a transit point along the Gulf and into Southwest Asia, may attract money laundering activities. Bahrain does not have a significant black market for smuggled goods or known linkages to drug trafficking.

Khalifa bin Salman Port, Bahrain's major port, provides a free transit zone to facilitate the duty-free import of equipment and machinery. Another free zone is located in the North Sitra Industrial Estate. Raw materials intended for processing in Bahrain and machinery imported by Bahraini-owned firms are also exempt from duty; the imported goods may be stored duty-free. These free zones are not a significant source for money laundering or terrorism financing. The

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informal and non-bank financial sectors are regulated and investigated similarly to the formal sector.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES

KYC covered entities: Banks, investment houses, insurance firms, money exchangers, brokers/dealers, real estate brokers, gold dealers, financial intermediaries, and attorneys

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 609 in 2013

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks, investment houses, insurance firms, money exchangers, brokers and dealers, real estate brokers, gold dealers, car dealers, financial intermediaries, attorneys, auction houses, and galleries

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 2 in 2013

Convictions: 0 in 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO ***Other mechanism:*** YES

With other governments/jurisdictions: YES

Bahrain is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.menafatf.org/Linkcounter.asp?rid=656&attached=MutualEvaluationReportOfBahrain.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Awareness within the capital markets and designated non-financial businesses and professions regarding suspicious transaction report (STR) reporting obligations is inconsistent. Tipping off is not prohibited and should be criminalized. According to authorities, the informal and non-

bank financial sectors are regulated and investigated. Cash transaction reporting is not separated from STR reporting requirements. There is little awareness of trade based money laundering. The Government of Bahrain should strengthen the implementation of its AML/CFT regime, which will lead to increased investigations and prosecutions.

Bangladesh

While Bangladesh is not a regional financial center, its geographic location, seaports, and long porous borders with India and Burma make it a transshipment point for drugs produced in both the “golden triangle” of Southeast Asia and “golden crescent” of Central Asia. Drug trafficking, corruption, fraud, counterfeit money, and trafficking in persons are the principal sources of illicit proceeds. Bangladesh is also vulnerable to terrorism financing, including funding that flows through the hawala/hundi system and by cash courier. The Bangladesh-based terrorist organization Jamaat ul-Mujahideen Bangladesh has publicly claimed to receive funding from Saudi Arabia. Although more work remains, Bangladesh has made important strides in preventing the potential use of its financial system to finance terrorism.

The Bangladeshi economy relies heavily on remittances, with remittances through official channels reaching over \$14 billion in 2013. According to the central bank, a larger share of remittances is now transmitted through the formal sector, although there remains widespread use of the underground and illegal hawala/hundi alternative remittance system. Black market money exchanges remain popular because of the non-convertibility of the local currency and scrutiny of foreign currency transactions made through official channels. Alternative remittance systems are also used to avoid taxes and customs duties. Additional terrorism financing vulnerabilities exist, especially the use of non-governmental organizations (NGOs), charities, counterfeiting, and loosely-regulated private banks.

For additional information focusing on terrorist financing, please refer to the Department of State’s Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, finance and investment companies, leasing companies, insurance companies, money changers, money remittance or transfer companies, stock dealers and brokers, portfolio managers, merchant banks, securities custodians, asset managers, non-profit organizations and NGOs

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 389: July 1, 2012 – June 30, 2013

Number of CTRs received and time frame: 2,845,479: July 1, 2012 – June 30, 2013

STR covered entities: Banks, finance and investment companies, leasing companies, insurance companies, money changers, money remittance or transfer companies, stock dealers and brokers, portfolio managers, merchant banks, securities custodians, asset managers, non-profit organizations and NGOs, dealers of precious metals and stones, trust companies, lawyers, and accountants

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: 0

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO **Other mechanism:** YES

With other governments/jurisdictions: YES

Bangladesh is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at:

<http://www.apgml.org/members-and-observers/members/member-documents.aspx?m=060e4260-2ffd-4403-8594-6e4e8dc4b218>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Central Bank of Bangladesh and the financial intelligence unit (FIU) lead the country's efforts to comply with the international AML/CFT standards. In July 2013, the FIU was admitted into the Egmont Group of FIUs. In 2013, the Government of Bangladesh took steps to improve its AML/CFT legal framework. These efforts include implementing the 2012 amendments to its AML legislation, and the issuance of AML/CFT guidance to the capital markets. The AML amendments expand the predicate offenses for money laundering and the categories of reporting entities. Bangladesh continues the process of fully implementing the Antiterrorism Act of 2009 (ATA). In 2013, the Parliament (Jatiya Sangsad) passed the Anti-Terrorism (Amendment) Bill which widens the scope of sanctions provided in the ATA. Additionally, Bangladesh has enacted a mutual legal assistance law to strengthen international cooperation efforts. Nonetheless, strategic AML/CFT deficiencies remain. The Central Bank, working in conjunction with international experts, is developing an action plan to address the deficiencies, the positive results of which remain to be seen.

Implementation of existing laws remains a significant issue. The government should continue its work on further legislative amendments as well as implementing mechanisms, and should continue to improve investigation, prosecution, supervision, and enforcement capacity. The absence of money laundering convictions and the failure to professionalize its prosecution service is not commensurate with the size of Bangladesh's economy or its threat profile. Investigators and prosecutors prefer to pursue relatively straightforward crimes while failing to scrutinize the more complex, and potentially more serious, crimes. Bangladesh should improve

its capacity to investigate financial crimes of greater sophistication. The government should build the capacity of its law enforcement and prosecutorial services and enhance training of investigators so they better understand the connections among corruption, money laundering, and related crimes. Finally, Bangladesh also should emphasize the importance of human intervention and analysis in terrorism financing cases, as the varied profiles of these cases may not trigger an automated report.

Criminal investigators and Bangladesh customs should systematically examine trade-based money laundering and value transfer. Not only will combating customs fraud provide needed revenue, but international trade is frequently used in Bangladesh and the surrounding region to provide counter-valuation or a method of settling accounts between hawala/hundi brokers.

The government should address weaknesses in the transaction monitoring systems and ensure reporting entities fully implement appropriate due diligence procedures, to include both computerized tracking systems and active engagement by trained frontline personnel. While Bangladesh amended its legislation to prohibit “tipping off” and to provide a safe harbor for financial institutions and their employees who report suspicious activity to the government in good faith, it must ensure financial institutions are compliant with these new laws, especially given how pervasive corruption and bribery are in Bangladesh.

Barbados

Barbados is a regional financial center with a sizeable international business company (IBC) presence. The country’s susceptibility to money laundering is primarily associated with the domestic sale of illegal narcotics and the laundering of criminal proceeds. There are some reports of proceeds from illicit activities abroad being laundered through domestic financial institutions. There is no evidence of public corruption or the offshore financial sector contributing to money laundering activity.

There are nine commercial banks and holding companies, 13 trusts and merchant banks, and 45 international banks licensed by the Central Bank of Barbados. The Central Bank of Barbados estimates the offshore sector is a \$32 billion industry. There are no clear statistics available on the IBC sector, although promotional material suggests there are over 4,000 IBCs. IBCs are subject to heightened due diligence requirements for license applications and renewals, and are audited if total assets exceed \$500,000.

Bearer shares are not permitted. Observers have concerns with information sharing restrictions and the effectiveness of supervision. There are no free trade zones and no domestic or offshore casinos.

For additional information focusing on terrorist financing, please refer to the Department of State’s Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN

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THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: **criminally:** YES **civilly:** NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: **Foreign:** YES **Domestic:** YES

KYC covered entities: Banks, securities and insurance brokers and companies, money exchanges or remitters, and financial management firms; lawyers, real estate brokers, high-value goods dealers, and accountants; investment services or any other financial services; credit unions; building, restricted liability, and friendly societies; offshore banks; IBCs and foreign sales corporations; mutual funds and fund administrators and managers; and international trusts

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 49: January – March 31, 2013

Number of CTRs received and time frame: Not available

STR covered entities: Commercial and offshore banks and credit unions; money transmission services, investment services, or any other financial services; building, restricted, and friendly societies; IBCs and foreign sales corporations; mutual funds and fund administrators and managers; international trusts; real estate agents; dealers in precious metals and stones; lawyers, and trust and company service providers; insurance companies, accountants, and finance companies

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2013

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES **Other mechanism:** YES

With other governments/jurisdictions: YES

Barbados is a member of the Caribbean Financial Action Task Force (CFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: https://www.cfatf-gafic.org/index.php?option=com_docman&task=cat_view&gid=353&Itemid=418&lang=en

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

There is a Double Taxation Treaty with the United States and a specific agreement between Barbados and the United States for the exchange of information with reference to taxes.

Barbados' criminal law limits the government's ability to seize assets acquired through criminal activity. The Government of Barbados should continue developing new civil asset forfeiture law to increase the efficacy of asset recovery procedures.

The Government of Barbados should be more aggressive in conducting examinations of the financial sector and maintaining strict control over vetting and licensing of offshore entities. Barbados should devote sufficient resources to ensure the financial intelligence unit, law enforcement, supervisory agencies, and prosecutorial authorities are properly staffed and have the capacity to perform their duties. Supervision of nonprofit organizations, charities, designated non-financial businesses and professions, and money transfer services should be strengthened, as should information sharing among regulatory and enforcement agencies.

Although a signatory to the UN Convention against Transnational Organized Crime and the UN Convention against Corruption, Barbados should become party to both conventions.

Belarus

Belarus is not a major financial center. Corruption and illegal narcotics trafficking are primary sources of illicit proceeds. According to the World Bank, some tax rates were reduced and simplified tax filing for some entities continued in 2013, thus reducing the potential for off-book cash transactions and underground markets. Dollarization and eurozation of the economy continues, and some foreign currency cash transactions elude the banking system. The concentration of power in the hands of the presidency and the lack of a system of checks and balances among the various branches of government are the greatest hindrances to the rule of law and transparency of governance. Economic decision-making in Belarus is highly concentrated within the top levels of government and, ultimately, in the presidency. Government financial institutions have little autonomy, and the financial sector is not sufficiently transparent and accountable.

Illicit proceeds and assets are sometimes laundered in Belarus through fake contracts, primarily between Russian and Belarusian businesses, to supply various products; deposits of illicit funds into operating accounts of businesses in the form of authorized capital contributions; the sale of illicitly acquired assets through retail networks; and the transfer of assets to balance sheets of front companies. Thus, often, funds are transferred for products that are never delivered.

There are many casinos, especially in the capital, Minsk, and foreign ownership is allowed. In 2013, the government introduced an automatic system to register winnings in legal gambling, which enables the real time registration of winnings. Up to one million Belarusian workers are employed abroad. Their remittances in 2013 totaled \$1 billion, half in cash and half via bank wire transfers, according to press reports based on National Bank of Belarus (NBB) information; however, according to independent Belarusian experts, such remittances may total up to 50 percent more.

Since 2006, Belarus has been the subject of numerous U.S. sanctions, including: a 2006 advisory to U.S. financial institutions, alerting them to potential money laundering threats involving Belarusian government senior regime elements, including senior executives in state-owned enterprises, seeking to move misappropriated Belarusian state assets as well as proceeds from illicit arms sales to or through the U.S. financial system; targeted financial sanctions on Belarusian government senior regime elements; 2007 and 2011 economic sanctions against the

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Belneftekhim petrochemical conglomerate and four of its major state-owned enterprises; and a May 2012 U.S. Treasury designation of Belarus-based JSC CredexBank (renamed JSC InterPayBank) as a financial institution of primary money laundering concern under Section 311 of the USA PATRIOT Act.

Additionally, in January 2012, the United States enacted the Belarus Democracy and Human Rights Act of 2011 that includes a package of sanctions expanding the list of Belarusian officials and law enforcement representatives subject to visa bans and financial restrictions. The following August, the United States extended limitations on trade with Belarus under the International Emergency Economic Powers Act.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** NO ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** NO

KYC covered entities: Banks and non-bank financial credit institutions; professional operators of the securities market; persons engaged in exchange transactions, including commodity exchanges; insurance firms and brokers; postal service operators; and property leasing firms

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not available

STR covered entities: Banks and non-bank financial credit institutions; professional operators of the securities market; persons engaged in exchange transactions, including commodity exchanges; insurance firms and brokers; postal service operators; and property leasing firms

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 9 in 2013

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO ***Other mechanism:*** YES

With other governments/jurisdictions: YES

Belarus is a member of the Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.eurasiangroup.org/mers.php>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In 2013, Belarus took steps to improve its legal and regulatory framework to fight money laundering and terrorism financing. In July, Belarus passed a resolution, which launched a mechanism for freezing funds intended for terrorism financing. In November, the government passed a resolution to reform the system of notaries and allow equal rights to both public and private notaries.

According to data provided by the NBB, the amended Banking Code came into effect in 2013, bringing all banking regulations in compliance with the country's new AML/CFT laws. In addition, the Belarusian Code of Administrative Offenses now provides for sanctions against bank employees for any wrongdoing in collecting client identity information. In early 2013, the NBB sent an advisory letter to banks urging them not to provide banking services to businesses that create shell companies for purposes of illegal business activities. These recommendations are scheduled to become part of the law in 2014. The NBB also announced a plan to create a single database of persons denied banking services due to illegal activity.

Belarus' Department of Financial Monitoring received 140,000 suspicious transaction reports (STRs) and currency transaction reports (CTRs) from Belarusian banks in 2013.

While Belarus has made progress in several areas, deficiencies remain, and in many instances, implementation falls below international standards. Enforcement problems are often caused by inadequate training, staffing, and funding of the relevant agencies, as well as insufficient national and international cooperation.

Belarus should take serious steps to combat corruption in commerce and government. The government also should take steps to ensure the AML/CFT framework operates more objectively and less as a political tool.

Belgium

Belgium's banking industry is medium sized, with assets of over \$1.2 trillion. In its most recent annual report, which covers 2012, the Financial Information Processing Unit (CTIF), Belgium's financial intelligence unit, estimated the total amount of illicit funds in Belgium at \$3 billion, or almost one percent of the country's GDP. These funds primarily derive from serious forms of financial crime, including tax crime, and drug trafficking proceeds. Authorities note that criminals continue to rely heavily on money mules, remittance transactions, and shell companies. Non-financial sectors are also used, in particular lawyers, real estate entities, and nonprofit organizations, whose under-reporting of suspicious transactions raises questions. The Belgian diamond industry also has been used to launder money. Approximately 84 percent of the world's rough diamonds and 50 percent of polished diamonds pass through Belgium.

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According to CTIF, most of the criminal proceeds laundered in Belgium are derived from foreign criminal activity. Belgium generally has very little public corruption that contributes to money laundering and none known to be related to terrorism financing. According to the 2012 CTIF annual report, contraband smuggling represents 11.7 percent of all tracked cases, while terrorism financing represents only 0.1 percent.

Casinos are licensed. The total number of casinos is limited to nine; eight licenses have been issued. There appears to be steady growth in internet gaming.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/i/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.; NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES

KYC covered entities: Banks, estate agents, private security firms, funds transporters, diamond merchants, notaries, auditors, accountants, tax advisors, surveyors, lawyers, and casinos

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 21,000 in 2012

Number of CTRs received and time frame: 5,345 in 2012

STR covered entities: Banks, estate agents, private security firms, funds transporters, diamond merchants, notaries, auditors, accountants, tax advisors, surveyors, lawyers, and casinos

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* YES *Other mechanism:* YES

With other governments/jurisdictions: YES

Belgium is a member of the FATF. Its most recent mutual evaluation can be found at:
<http://www.fatf-gafi.org/countries/a-c/belgium/>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

According to CTIF's 2012 annual report, of the 1,506 financial crimes cases that CTIF referred to prosecutors, only 20 (1.3 percent) were connected to possible terrorism and/or proliferation financing, a slight decrease from the previous year (1.6 percent). Of those 20, 17 are being investigated by police, and three were dismissed.

In 2013, Belgian authorities continued timely freezing of suspicious transactions due to cooperation among the different operational levels of law enforcement authorities. They often scrutinize the purchase of properties by religious non-profit organizations, since most of these transactions occur through cash deposited into the accounts of these organizations. Belgian authorities recognize the importance and challenges to law enforcement of the diamond industry, as well as the potential vulnerabilities it presents to the financial sector. Authorities have transmitted a number of cases relating to diamonds to the public prosecutor.

Only a quarter of the approximately 3,000 phone shops in Belgium are formally licensed. Police raids on these shops have uncovered evidence of money laundering operations. Authorities report challenges for officials trying to collect tax revenue and detect money laundering operations because phone shops often declare bankruptcy and later reopen under new management.

Belize

While Belize is not a major regional financial center, it is an offshore financial center. In an attempt to diversify Belize's economic activities, the Government of Belize encouraged the growth of offshore financial activities that are vulnerable to money laundering, including offshore banks, insurance companies, trust service providers, mutual fund companies, and international business companies. The Belizean dollar is pegged to the U.S. dollar, and Belizean banks continue to offer financial and corporate services to nonresidents in the offshore financial sector.

Belizean officials suspect there is money laundering activity in their two free trade zones, known as commercial free zones (CFZ). The larger of the two, the Corozal Commercial Free Zone, is located on the border with Mexico. The smaller CFZ, the Benque Viejo Free Zone, recently started operating on the western border with Guatemala. The Corozal Commercial Free Zone was designed to attract Mexican citizens for duty free shopping; Belizean authorities believe it is heavily involved in trade-based money laundering and the illicit importation of duty free products.

As Belize is a transshipment point for marijuana and cocaine, there are strong indications that laundered proceeds are increasingly related to organized criminal groups involved in the trafficking of illegal narcotics, psychotropic substances, and chemical precursors.

In May, and again in November 2013, the Caribbean Financial Action Task Force (CFATF) included Belize in its Public Statement for not making sufficient progress in addressing

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AML/CFT deficiencies and not complying with its AML/CFT action plan to address those deficiencies. The CFATF called upon its members to consider instituting countermeasures to protect their financial systems from the money laundering/terrorism financing risks emanating from Belize.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: Combination approach

Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES

KYC covered entities: Domestic and offshore banks; venture risk capital; money brokers, exchanges, and transmission services; moneylenders and pawnshops; insurance; real estate; credit unions; building societies; trust and safekeeping services; casinos; motor vehicle dealers; jewelers; international financial service providers; public notaries; attorneys; accountants and auditors

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 117: January 1 - November 25, 2013

Number of CTRs received and time frame: Not applicable

STR covered entities: Domestic and offshore banks; venture risk capital; money brokers, exchanges, and transmission services; moneylenders and pawnshops; insurance; real estate; credit unions; building societies; trust and safekeeping services; casinos; motor vehicle dealers; jewelers; international financial service providers; public notaries; attorneys; accountants and auditors

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 6: October 2012 – November 2013

Convictions: 6: October 2012 – November 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES ***Other mechanism:*** YES

With other governments/jurisdictions: YES

Belize is a member of the CFATF, a FATF-style regional body. Its most recent mutual evaluation can be found at: https://www.cfatf-gafic.org/index.php?option=com_docman&task=cat_view&gid=352&Itemid=418&lang=en

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Belize's August 2012 Domestic Banks and Financial Institution Act strengthens internal AML controls. The Act improves provisions to govern domestic banks and financial institutions by strengthening the supervisory powers and regulatory independence of the Central Bank. It addresses deficiencies and vulnerabilities in the domestic banking sector, and provides for the appointment of a statutory license administrator, where appropriate, to protect the interests of depositors, creditors, and shareholders. While the Act enhances the Central Bank's control of domestic banks and financial institutions, Belize should determine how the act can be used to strengthen money laundering investigations and prosecutions.

The government also should provide additional resources to effectively enforce AML regulations. The FIU is responsible for enforcement and implementation of all financially-related regulations as well as international sanctions lists, domestic tax evasion, and all money laundering investigations. There is limited assistance from other law enforcement agencies, governmental departments, and regulatory bodies. The FIU has a broad mandate and a small staff, and does not have sufficient training or experience in identifying, investigating, reviewing, and analyzing evidence in money laundering cases. Prosecutors and judges should receive additional training on financial crimes, including money laundering, to increase prosecutions. The FIU currently contracts outside attorneys for prosecutions.

The prime minister and other government officials made public statements supportive of the U.S. Department of the Treasury's Office of Foreign Assets Control's 2013 designations of Belizeans, and all local banks comply and prohibit business with the designated entities. Belize's financial institutions were cited for not performing due diligence in screening their customers and prohibiting financial transactions with shell banks. The prime minister stated his intentions for the government to be compliant with international AML/CFT recommendations.

Belize should become a party to the UN Convention against Corruption.

Benin

Benin is not a financial center. Money laundering occurs in Benin through its banking system and money service businesses. Several money laundering techniques have been utilized in Benin, including trade-based money laundering, the purchase of real estate, bulk cash smuggling, and the use of shell companies.

As a regional re-export hub, Benin is vulnerable to money laundering risks. In particular, proceeds of narcotics trafficking are known to be comingled with sales of imported used cars sold primarily in neighboring countries. From 2007 to 2013, Benin was involved in large international schemes in which Lebanese financial institutions, including a bank and four exchange houses linked to Hezbollah, were used to launder and move criminal proceeds through

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West Africa and back into Lebanon. As part of the schemes, funds were wired from Lebanon to the United States to buy used cars, which were then shipped to Benin and sold throughout West Africa. Profits from the sale of these cars were combined with drug proceeds from Europe and subsequently sent to Lebanon via bulk cash smuggling and deposited into the Lebanese financial system. Hezbollah, which the U.S. Department of State has designated as a Foreign Terrorist Organization, reportedly derived financial support from the criminal activities of this network.

There is also significant informal trade in consumer goods with Nigeria, including frozen chicken, medicines and vegetable oil. A large percentage of automotive fuel sold in Benin is informally imported from Nigeria through illicit markets. Internet and other fraud schemes are common. Benin is a transit point for cocaine and heroin moving from Latin America, Pakistan, and Afghanistan into Europe and Southeast Asia. Human trafficking and corruption also are concerns. Free trade zones are permitted but none have been developed to date.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, cash couriers, casinos, insurance companies, post office, real estate agents, lawyers, notaries, non-governmental organizations, travel agents, and dealers of precious metals, stones, and artifacts

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 29 in 2012
Number of CTRs received and time frame: Not applicable
STR covered entities: Banks, cash couriers, casinos, insurance companies, post office, real estate agents, lawyers, notaries, non-governmental organizations, travel agents, and dealers of precious metals, stones, and artifacts

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: 0 in 2012

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other mechanism:*** YES

With other governments/jurisdictions: YES

Benin is a member of the Inter Governmental Action Group against Money Laundering in West Africa (GIABA), a FATF-style regional body. Its most recent mutual evaluation can be found at: www.giaba.org/reports/mutual-evaluation/Benin.html

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Benin has taken specific steps to construct an AML/CFT regime; however, it suffers from poor information sharing and cooperation among government agencies and departments. Additionally, Benin's law enforcement is hindered by a lack of financial crimes expertise. There is little data to reliably measure progress in combating money laundering. The government criminalized terrorism financing in August 2012 via act N°2012-21.

On the regulatory side, KYC and suspicious transaction reporting (STR) requirements are not routinely implemented. AML/CFT controls are not applied to non-bank financial institutions, despite their coverage under the law. Despite a requirement to declare the transfer of funds equal to or exceeding 2,000,000 FCFA (approximately \$4,000) across borders, Benin customs authorities do not evaluate cross-border currency declarations for money laundering purposes and do not share data with the financial intelligence unit. Benin should work with regional partners and international donors to provide AML awareness and procedural training to those with responsibilities under the law.

Bermuda

Bermuda, a British Overseas Territory, is a major offshore financial center. It is the third largest reinsurance center in the world and the second largest captive insurance domicile. Bermuda is not considered a major drug transit country. To the extent money laundering occurs in Bermuda, it is believed to be principally related to the domestic drug trade. Money laundering proceeds are controlled primarily by domestic gangs, which have proliferated in recent years.

There is no significant black market for smuggled goods in Bermuda. There is no known money laundering/terrorist financing activity through free trade zones, or money or other value transfer services in Bermuda. However, there were cases where domestic criminals utilized the formal financial sector for money laundering purposes. Bermuda does not permit offshore banks. A foreign bank may establish a subsidiary as a Bermuda company with its own board of directors, but it may not establish a branch. Bermuda does not permit bearer shares, nor does it permit shell companies. Sports betting is legal, but online betting and casinos are not permitted.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN

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THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: Combination
Are legal persons covered: **criminally:** YES **civilly:** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: **Foreign:** YES **Domestic:** NO

KYC covered entities: Banks, trustees, securities brokers and financial management firms, long-term insurance companies, money service businesses, insurance managers and brokers, fund administrators, investment fund operators, and independent legal advisers and accountants

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 325: January 1 – November 14, 2013

Number of CTRs received and time frame: Not applicable

STR covered entities: All persons in the course of their “trade, profession, business or employment”

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 7: January 1 – October 31, 2013

Convictions: 2: January 1 – October 31, 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** YES **Other mechanism:** YES

With other governments/jurisdictions: YES

Bermuda is a member of the Caribbean Financial Action Task Force (CFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: https://www.cfatf-gafic.org/index.php?option=com_docman&task=cat_view&gid=351&Itemid=418&lang=en

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In September 2013, Bermuda enacted the Proceeds of Crime and Related Measures Amendment Act 2013 (POCA) and the Transnational Organized Crime Act 2013, which incorporate into domestic legislation the provisions of the International Terrorist Financing Convention and the UN Convention against Transnational Organized Crime. Bermuda formally requested the UK to extend the two conventions to the island, although that has not yet been completed. The new laws widen the definition of terrorist acts, increase penalties, and expand the obligations of AML-covered entities. Also in 2013, Bermuda enacted the Proceeds of Crime Amendment (No. 2) Act 2013 providing for civil asset recovery, before the Supreme Court, of property obtained through unlawful conduct.

As a British Overseas Territory, Bermuda cannot sign or ratify international conventions. Instead, the UK, which is responsible for Bermuda's international affairs, may arrange to extend

the ratification of any convention to Bermuda. The 1988 UN Drug Convention was extended to Bermuda in 1995. The UN Convention against Corruption has not been extended to Bermuda.

The Proceeds of Crime (Anti-Money Laundering and Anti-Terrorist Financing) Amendment Regulations 2013 amend the POCA Regulations 2008 to ensure consistency, transparency, and compliance with the Organization for Economic Cooperation and Development's internationally-agreed tax standard. Bermuda enacted measures to include the provision of nominee services in the AML legislative framework. In April, Bermuda's cabinet approved the Foreign Account Transaction Compliance Act (FATCA) Intergovernmental Agreement (IGA) Model 2 whereby the United States will receive FATCA information on an automatic basis directly from Bermuda financial institutions. The agreement still needs to be endorsed by the UK's Foreign and Commonwealth Office, and is expected to be signed in 2014. Bermuda signed its FATCA IGA with the UK on November 25, 2013.

In 2013, cash seizures amounted to \$255,771. In addition, the Financial Crime Unit of the Bermuda Police Service seized \$160,000 cash in a separate money laundering operation. Forfeitures amounted to \$92,000.

The majority of filed suspicious transaction reports (STRs) continue to show a trend of suspicious currency exchanges, with 75% of the STRs involving the exchange of Bermuda currency for a foreign currency, usually U.S. dollars. The Financial Intelligence Agency Bermuda believes it is highly likely that the reported cash exchanges are intimately connected with Bermuda's drug trade.

The Government of Bermuda works closely with international partners. Four money laundering cases remain before the courts at the end of 2013, while an additional case remains on file, but will not be prosecuted.

Bolivia

Bolivia is not a regional financial center, but remains vulnerable to money laundering. Illicit financial activities are related primarily to cocaine trafficking, and include corruption, tax evasion, smuggling, and trafficking in persons. Criminal proceeds laundered in Bolivia are derived from smuggling contraband and from the foreign and domestic drug trade.

There is a significant market for smuggled goods in Bolivia. Chile is the primary entry point for illicit products, which are then sold domestically or informally exported to Brazil and Argentina. An estimated 70 percent of Bolivia's economy is informal, with proceeds entering the formal market through the financial system. There is no indication the illicit financial activity is linked to terrorism financing, though lack of proper safeguards creates a vulnerability to such activity. Much of the informal economic activity occurs in non-regulated commercial markets where many products can be bought and sold outside of the formalized tax system. Public corruption is common in these commercial markets and money laundering activity is likely.

The Bolivian financial system is moderately dollarized, with some 25 percent of deposits and 15 percent of loans distributed in U.S. dollars rather than Bolivianos, the national currency. Bolivia

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has 13 free trade zones for commercial and industrial use located in El Alto, Cochabamba, Santa Cruz, Oruro, Puerto Aguirre, Desaguadero, and Cobija. Casinos (hard gaming) are illegal in Bolivia. Soft gaming (e.g., bingo) is regulated; however, many operations have questionable licenses.

Informal exchange houses and non-registered currency exchanges are illegal.

In February 2013, the FATF removed Bolivia from its Public Statement following Bolivia's positive action to improve noted weaknesses.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach
Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: **Foreign:** YES **Domestic:** YES

KYC covered entities: Banks, micro-financial institutions, insurance companies, exchange houses, remittance companies, securities brokers, money transport companies, and financial intermediaries

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 422 in 2012

Number of CTRs received and time frame: Not available

STR covered entities: Banks, micro-financial institutions, insurance companies, exchange houses, remittance companies, securities brokers, money transport companies, and financial intermediaries

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 30 in 2013

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO Other mechanism: NO

With other governments/jurisdictions: Not available

Bolivia is a member of the Financial Action Task Force in South America (GAFISUD), a FATF-style regional body. Its most recent mutual evaluation can be found at:

<http://www.gafisud.info/home.htm>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In July 2013, Bolivia's FIU (UIF) was readmitted into the Egmont Group of FIUs as a probationary member. Despite this endorsement, a continued lack of personnel in the UIF combined with inadequate resources and weaknesses in Bolivia's basic legal and regulatory framework limits the UIF's reach and effectiveness. Given the UIF's limited resources relative to the size of Bolivia's financial sector, compliance with reporting requirements is extremely low. The exchange of information between the UIF and appropriate police investigative entities is also limited, although the UIF does maintain a database of suspect persons that financial entities must check before conducting business with clients.

In 2012, Bolivia enacted Law 262 and created the National Council for Combating Legitimization of Proceeds from Crime and Terrorist Financing. This law establishes policies, plans, and programs to prevent the use of illicit gains to finance terrorism and other criminal activities.

Bolivia does not have a mutual legal assistance treaty with the United States; however, various multilateral conventions to which both countries are signatories are used for requesting mutual legal assistance.

Bolivia should continue to strengthen its AML/CFT regime by addressing identified weaknesses.

Bosnia and Herzegovina

Bosnia and Herzegovina (BIH) is primarily a cash-based economy and is not an international or regional financial center. Most money laundering activities in BIH are for the purpose of evading taxes. A lesser amount involves concealing the proceeds of illegal activities including trafficking, illicit drugs, organized crime, and corruption.

With porous borders and weak enforcement capabilities, BIH is a significant market and transit point for smuggled commodities, including cigarettes, illicit drugs, firearms, counterfeit goods, lumber, and fuel oils. Bulk cash couriers also are used by organized criminal elements and potential terrorist financiers. There is no indication BIH law enforcement has taken action to strongly combat the trade-based money laundering likely to be occurring in the country. Corruption is endemic, affecting all levels of the economy and society.

There are four active free trade zones (FTZs) in BIH, with production based mainly on automobiles, forestry and wood products, and textiles. There have been no reports that these zones are used in trade-based money laundering. The Ministry of Foreign Trade and Economic Relations is responsible for monitoring FTZ activities.

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For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** NO

KYC covered entities: Banks, currency exchange offices, and entities issuing, managing, and processing transactions with debit and credit cards and other means of payment; financial leasing firms; insurance companies; post offices; investment and mutual pension companies; stock exchanges and stock exchange agencies; casinos and gaming enterprises; dealers in vehicles, art, and precious metals and stones; lawyers; notaries; auditors and accountants; real estate brokers; company formation agents; trusts and asset managers; pawnshops; travel agents; auctioneers; privatization agencies; and charities

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 198,053: September 2012 - September 2013

Number of CTRs received and time frame: 137,971: September 2012 - September 2013

STR covered entities: Banks, currency exchange offices, and entities issuing, managing, and processing transactions with debit and credit cards and other means of payment; financial leasing firms; insurance companies; post offices; investment and mutual pension companies; stock exchanges and stock exchange agencies; casinos and gaming enterprises; dealers in vehicles, art, and precious metals and stones; lawyers; notaries; auditors and accountants; real estate brokers; company formation agents; trusts and asset managers; pawnshops; travel agents; auctioneers; and charities

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 5: September 2012 - September 2013

Convictions: 3: September 2012 - September 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other mechanism:*** YES

With other governments/jurisdictions: YES

Bosnia and Herzegovina is a member of the Council of Europe Select Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.coe.int/t/dghl/monitoring/moneyval/Countries/BH_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

BIH's political structure and ethnic politics hinder the effectiveness of its AML/CFT regime. Coordination of law enforcement efforts among the multiple jurisdictional levels in BIH -- the State, the two entities (the Federation of Bosnia and Herzegovina and the Republika Srpska), and Brcko District – is improving, but should be improved further.

Criminal codes and criminal procedure codes from the State, the two entities, and Brcko District were enacted and harmonized in 2003, but further harmonization is still necessary. Since the State does not have the resources to investigate all money laundering violations, the respective criminal codes complement one another. The jurisdictions, however, maintain separate bank supervision and enforcement/regulatory bodies. Although BIH has an overarching law providing a framework for implementing UNSC measures, in some cases, it lacks appropriate implementing regulations.

Although the Government of BIH recognizes the threat of money laundering posed by bulk cash couriers, enforcement problems continue to exist. In accordance with the Law on Indirect Tax Administration, BIH law requires customs officials and the Indirect Tax Administration to notify the State Investigation and Protection Agency's Financial Intelligence Department (FID) of all reported, cross-border transportation of cash and securities in excess of \$6,921. Customs officials also have the authority to seize unreported bulk cash in excess of \$3,460 crossing the border. If the seized currency is suspected of having criminal origins, or is suspected of being the proceeds of money laundering activity, FID has the authority to temporarily seize the monies and initiate criminal proceedings. Otherwise, the dispositions of these seized currencies are handled as minor offenses at the entity level, in accordance with the Laws on Foreign Currency Operations. Due to weak enforcement and corruption, large amounts of currency leave and enter the country undetected. The government should remedy these shortcomings.

Officially, the FID has access to other government entities' records, and formal mechanisms for interagency information sharing are in place. In practice, the FID has only indirect access to the full range of databases required to perform proper analysis. Interagency cooperation has improved but the government should continue to strengthen institutions with responsibilities for money laundering prevention.

In May 2013, a working group established by the BIH Minister of Security approved, and forwarded to the Minister, a revised draft of the Law on Prevention of Money Laundering and Terrorist Financing. The draft law recommends keeping a law enforcement model FIU, increases the ability to monitor domestic politically exposed persons (PEPs), and clarifies and enhances the ability to disseminate information to domestic law enforcement agencies. On October 23, 2013, the Council of Ministers approved the legislation for forwarding to the Parliament for adoption, but at the close of 2013 that legislation had not yet been forwarded. Although prosecutors, police, and tax officials receive ongoing training on tax evasion, money laundering, and other financial crimes, BIH should enhance the capacity to understand diverse methodologies and aggressively pursue investigations. Authorities in BIH should undertake

efforts to understand trade-based money laundering and nonbank financial and remittance systems, and their role in and vulnerability to money laundering.

BIH law enforcement and customs authorities should take additional steps to control the integrity of the borders and limit smuggling. The Government of BIH should take specific steps to completely implement its anti-corruption strategy and to combat corruption at all levels of commerce and government. BIH also must adopt a comprehensive asset forfeiture law that implements a formal mechanism for the administration of seized assets, and should enact implementing legislation for the international conventions to which it is a party.

Botswana

Botswana is not a regional financial center, but is increasingly focused on developing a financial services industry. Although money laundering in Botswana is not primarily related to narcotics, there has been an increase in drug trafficking in recent years, and in the sophistication and level of organization of cross-border crime. The presence of organized criminal groups is growing, as is the trade in second-hand cars, which present certain risks related to money laundering. In recent years there has been an increase in the amount and frequency of fraud perpetrated against large organizations, e.g., banks or government departments, typically with the collusion of an employee. Botswana is a cash-based society, and there is insufficient infrastructure to address money laundering and terrorism financing.

Botswana supplies a majority of the world's diamonds. The stringent institutional framework for the mining and processing of diamonds affords limited opportunity for organized diamond smuggling. The smuggling that does occur is not believed to be linked to terrorism financing or the laundering of criminal proceeds. The relocation of DeBeers' Diamond Trading Company from London to Gaborone may result in additional wholesale and retail diamond marketers setting up businesses in Botswana. The growth of this industry presents an increased risk of money laundering and illicit financing activity.

The Government of Botswana operates the International Financial Service Center (IFSC), an organization authorizing entities to provide offshore financial services. IFSC-accredited companies provide a range of financial services, including fund management, banking, international insurance, and intermediary services. Those services must be provided to clients outside Botswana and in currencies other than the pula. The supervisory standards applied to domestic financial service providers are also applicable to IFSC-authorized entities. Shell companies and anonymous directors are prohibited.

The Botswana Authorities believe there is a low risk of terrorist activity in the country, but they are increasingly concerned about the potential for terrorists to focus on Botswana as a soft target and they acknowledge the risk of terrorism financing.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** NO ***Domestic:*** NO
KYC covered entities: Banks, building societies, collective investment undertakings, the Botswana Savings Bank, post offices, registered stockbrokers, long-term insurance businesses, foreign exchange dealers, and the IFSC certification committee

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available
Number of CTRs received and time frame: Not available
STR covered entities: Banks, building societies, collective investment undertakings, the Botswana Savings Bank, post offices, registered stockbrokers, long-term insurance businesses, foreign exchange dealers, and the IFSC certification committee

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2013
Convictions: 0 in 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other mechanism:*** YES
With other governments/jurisdictions: YES

Botswana is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.esaamlg.org/reports/me.php>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Botswana is in the process of establishing, and marshaling the resources and training necessary to implement, an AML/CFT regime. The key components of the institutional framework for AML/CFT are technically in place, and the Central Bank has the authority to monitor compliance with the AML requirements. Botswana has not yet criminalized terrorism financing, nor has it passed legislation to allow forfeiture of the proceeds of financial crimes. None of the AML-related laws and regulations of Botswana contains requirements related to politically exposed persons (PEPs), foreign or domestic.

The Government of Botswana enacted AML legislation to establish a financial intelligence unit, the Financial Intelligence Agency (FIA), in 2009, but it is still not operational as of late 2013. As of the fall of 2013, the FIA had a new director; only four, insufficiently trained technical staff; and a need for analytical software. As such, it was neither receiving nor analyzing suspicious transaction reports (STRs), deferring instead to the Directorate on Corruption and Economic Crime (DCEC).

The Non-Bank Financial Institutions Regulatory Authority is responsible for AML oversight of non-financial institutions. However, there is no legal provision in Botswana for a covered entity, other than a bank, to actually monitor for complex, unusually large transactions, or unusual patterns of transactions with no apparent lawful purpose. To date, only banks have filed STRs, and fundamental deficiencies exist relating to customer due diligence guidelines. Botswana's legislation requires the submission of STRs to both the FIA and the DCEC. The Bank of Botswana also receives STRs, which are used only to guide the Bank in carrying out its supervisory function.

Unlike in previous years, the Government of Botswana has declined to release statistics on the number of STRs filed in 2013. The historically small number of STRs, combined with the failure to publicize STR statistics in 2013 and the lack of AML investigations, prosecutions, and convictions, demonstrates that Botswana's AML/CFT regime is not functioning effectively. The DCEC is actively investigating an increasing number of corruption cases, but the Directorate of Public Prosecutions is extremely under-resourced and lacks the training and experience to obtain convictions in those cases. There have been no terrorism or terrorism financing-related prosecutions.

The Botswana Parliament should prioritize the passage of proposed amendments to the Proceeds of Serious Crimes Act, the Firearms and Ammunition Act, and the Criminal Procedure and Evidence Act, along with enactment of the anti-terrorism law. The FIA should work to recruit and train additional staff and to obtain the software necessary for it to fulfill its core responsibilities. More broadly, the government should ensure it regularly produces and reports the statistics necessary for others to verify any progress in implementing the existing elements of the country's AML/CFT regime.

Brazil

In 2013, Brazil was the world's seventh largest economy by nominal GDP. It is a major drug-transit country, as well as one of the world's largest consumer countries. Sao Paulo, Brazil's largest city, is considered a regional financial center for Latin America. Money laundering in Brazil is primarily related to domestic crime, especially drug trafficking, corruption, organized crime, gambling, and trade in various types of contraband. Laundering channels include the use of banks, real estate investment, financial asset markets, luxury goods, remittance networks, informal financial networks, and trade-based money laundering.

Sao Paulo and the Tri-Border Area (TBA) of Brazil, Argentina, and Paraguay are particular areas that possess high risk factors for money laundering. In addition to weapons and narcotics, a wide variety of counterfeit goods, including CDs, DVDs, and computer software (much of it of Asian

origin), are routinely smuggled across the border from Paraguay into Brazil. In addition to Sao Paulo and the TBA, other areas of the country are also of growing concern. The Government of Brazil and local officials in the states of Mato Grosso do Sul and Parana, for example, report increased involvement by Rio de Janeiro and Sao Paulo gangs in the already significant trafficking in weapons and drugs that plagues Brazil's western border states.

Brazil has four free trade zones/ports (FTZs). The government provides tax benefits in certain FTZs, which are located to attract investment to the country's relatively underdeveloped North and Northeast regions.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: List approach

Are legal persons covered: criminally: NO civilly: NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES

KYC covered entities: Commercial and savings banks and credit unions; insurance companies and brokers; securities, foreign exchange, and commodities brokers/traders; real estate brokers; credit card companies; money remittance businesses; factoring companies; gaming and lottery operators and bingo parlors; dealers in jewelry, precious metals, art and antiques

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not available

STR covered entities: Commercial and savings banks and credit unions; insurance companies and brokers; securities, foreign exchange, and commodities brokers/traders; real estate brokers; credit card companies; money remittance businesses; factoring companies; gaming and lottery operators and bingo parlors; dealers in jewelry, precious metals, art and antiques

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES Other mechanism: YES

With other governments/jurisdictions: YES

Brazil is a member of the FATF and the Financial Action Task Force on Money Laundering in South America (GAFISUD), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.fatf-gafi.org/countries/a-c/brazil/>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Brazil does not maintain comprehensive statistics on money laundering prosecutions and convictions. Only combined figures are available for STRs/CTRs. As long as these reports are aggregated, it may be difficult to determine patterns of STR submission by volume, type of filer, or type of violation. Between January and October 2013, 1,084,153 STRs/CTRs were filed.

The Government of Brazil achieved visible results over the last few years from investments in border and law enforcement infrastructure, executed with a view to gradually control the flow of goods, both legal and illegal, across Brazil's land borders. Anti-smuggling and law enforcement efforts by state and federal agencies increased. Brazilian Customs and the Brazilian Tax Authority continue to take effective action to suppress the smuggling of drugs, weapons, and contraband goods along the border with Paraguay. Due to the effective crackdown on the Friendship Bridge connecting Foz do Iguaçu, Brazil, and Ciudad del Este, Paraguay, most smuggling migrated to other sections of the border. The Federal Police have Special Maritime Police Units that aggressively patrol the maritime border areas.

Some high-priced goods in the TBA are paid for in U.S. dollars, and cross-border bulk cash smuggling is a concern. Large sums of U.S. dollars generated from licit and suspected illicit commercial activity are transported physically from Paraguay into Brazil. From there, the money may make its way to banking centers in the United States. However, Brazil maintains some control of capital flows and requires disclosure of the ownership of corporations.

Brazil's Trade Transparency Unit, in partnership with the U.S. Immigration and Customs Enforcement, aggressively analyzes, identifies, and investigates companies and individuals involved in trade-based money laundering activities between the two countries. As a result, the government identified millions of dollars of lost revenue.

Brazil is a party to the UN International Convention for the Suppression of the Financing of Terrorism; however, Brazil does not criminalize terrorism financing in a manner consistent with international standards.

British Virgin Islands

The British Virgin Islands (BVI) is a UK overseas territory. The economy depends greatly on tourism and the offshore financial sector. BVI is a well-established financial center offering accounting, banking, and legal services; captive insurance; company incorporations; mutual funds administration; trust formation; and shipping registration. The Financial Services Commission (FSC) is the sole supervisory authority responsible for the licensing and supervision of financial institutions under the relevant statutes. The FSC's most recent statistical bulletin

was published in March 2011. The bulletin noted there were 45,666 active companies, seven licensed banks, 216 other fiduciary companies, and 2,627 investment businesses registered with the FSC. The banking sector has assets valued at \$2.4 billion as of September 2011.

Exploitation of its offshore financial services, the unique share structure that does not require a statement of authorized capital, and the lack of mandatory filing of ownership information pose significant money laundering risks to the BVI.

Tourism accounts for 45 percent of the economy and employs the majority of the workforce; however, financial services contribute over half of government revenues. The BVI's proximity to the U.S. Virgin Islands and the use of the U.S. dollar for its currency pose additional risk factors for money laundering. The BVI is a major target for drug traffickers, who use the area as a gateway to the United States. Drug trafficking in general is a serious problem.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES
KYC covered entities: Banks; currency exchanges; charities and nonprofit associations; dealers in autos, yachts, and heavy machinery; dealers in precious metals and stones; leasing companies; real estate agents, lawyers, other independent legal advisers, and accountants

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available
Number of CTRs received and time frame: 59: January - June 2012
STR covered entities: Banks; currency exchanges; charities and nonprofit associations; dealers in autos, yachts, and heavy machinery; dealers in precious metals and stones; leasing companies and money services institutions; real estate agents, lawyers, other independent legal advisers, and accountants

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: 0

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** YES ***Other mechanism:*** YES

With other governments/jurisdictions: YES

BVI is a member of the Caribbean Financial Action Task Force (CFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: https://www.cfatf-gafic.org/index.php?option=com_docman&task=cat_view&gid=327&Itemid=418&lang=en

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Earlier legislation strengthens due diligence requirements where a representative is acting on another person's behalf, or when the customer is resident in another country, and extends regulation to money value transfer service operators. Although real estate agents, lawyers, other independent legal advisers, accountants, and dealers in precious metals and stones are covered by AML/CFT regulations, there appears to be no effective supervision to ensure compliance with AML/CFT requirements. The government should ensure requisite legislation and sufficient staffing resources are in place to address the continued lack of prosecutions.

In August 2012, the government increased the penalties and fines for breaches of the AML regime. Most maximum penalties were increased ten-fold with maximums now ranging from \$250,000 - 500,000 when action is taken through the courts, as opposed to \$25,000 - \$40,000 previously. The FSC can now impose administrative fines up to \$100,000.

The British Virgin Islands is a UK Caribbean overseas territory and cannot sign or ratify international conventions in its own right. Rather, the UK is responsible for the BVI's international affairs and may arrange for the ratification of any convention to be extended to the BVI. The 1988 Drug Convention was extended to the BVI in 1995. The UN Convention against Corruption was extended to the BVI in 2006. The International Convention for the Suppression of the Financing of Terrorism and the UN Convention against Transnational Organized Crime were extended to the BVI on May 17, 2012.

Brunei

Brunei is not a regional financial center. Brunei does have a small offshore financial center and its proximity to high crime regions, along with its large foreign worker population and limited AML/CFT institutional capacity, make it vulnerable to cross-border criminal activity. Domestically, Brunei is a low threat country for money laundering and terrorism financing. Proceeds of crime generally originate in fraud, gambling, the drug trade, and fuel smuggling. There are also concerns about an increase in cybercrime, and in particular, financial fraud such as pyramid schemes and e-mail scams. Brunei has a mandatory death penalty for many narcotics offenses, and gambling is illegal.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN

THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: Combination approach

Are legal persons covered: **criminally:** YES **civilly:** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: **Foreign:** YES **Domestic:** YES

KYC covered entities: Domestic and offshore banks, insurance companies, finance companies, money exchanges and remitters, and securities broker/dealers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 77 in 2013

Number of CTRs received and time frame: 0 in 2013

STR covered entities: Domestic and offshore banks, insurance companies, finance companies, money exchanges and remitters, and securities broker/dealers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** NO **Other mechanism:** YES

With other governments/jurisdictions: YES

Brunei is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at:
<http://www.apgml.org/mutual-evaluations/documents/default.aspx>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Brunei should continue to work to address certain previously-identified strategic deficiencies. Brunei should improve its suspicious transaction reporting and analysis capabilities, increase its supervision of remittance and money changing sectors, and establish and implement adequate procedures to identify and freeze terrorist assets.

The National Anti-Money Laundering and Combating the Financing of Terrorism Committee was restructured and strengthened in 2012, elevating representation from working-level officials to department heads. The Brunei Joint Working Group Committee on Anti-Terrorism provides a forum for intelligence and law enforcement agencies to meet and discuss operational issues.

The Anti-Terrorism Order 2011, as amended in 2012, provides for offenses such as the commission of terrorist acts, membership of terrorist groups, financing of terrorism, and support

and assistance to any terrorist group or terrorist acts. There are not yet any prosecutions or convictions for terrorism-related offenses.

The Criminal Asset Recovery Order 2012 (CARO) defines a “serious offense” in accordance with international standards to ensure a wide range of crimes can be classified as predicate offenses for money laundering. The order clarifies that the money laundering offense is not predicated on the proof of commission of a serious offense, making money laundering a stand-alone offense. The order allows Brunei Darussalam to render assistance to foreign countries that wish to request the enforcement of orders and location of proceeds of crime. Foreign countries can apply through the Attorney General’s Chambers (AGC) to register their restraining, confiscation, and benefit recovery orders, and requests for assistance in investigations and location of proceeds of crime.

The CARO expands the powers of the financial intelligence unit (FIU) and designates the FIU as the central national agency for receiving, requesting, analyzing, and disseminating disclosures of financial information to competent authorities. Under CARO, investigators may compel a person to enumerate his assets through a statutory declaration, seize businesses, freeze accounts upon notice by the public prosecutor, order surrender of travel documents, intercept communications, demand telecommunication records, and track property. The AGC is currently drafting a manual as guidance for investigators. The AGC reported in December 2013 that there were 10 cases being investigated for suspected money laundering, and that there have been two prosecutions for failure to make a report upon bringing cash above the prescribed amount into Brunei Darussalam.

Brunei should strengthen its actions against investment fraud and illegal deposit taking. The government should continue its efforts to ensure intellectual property crimes are fully criminalized and prosecute offenders. While Brunei Darussalam issued a notice to banks to conduct enhanced due diligence on politically exposed persons (PEPs) in 2011, it is unclear how effective this instruction has been. Authorities should continue developing operating procedures and increase training of investigators.

Bulgaria

Several factors have combined to make Bulgaria a significant source of money laundering in Central Europe. It has a large grey economy that is based primarily on cash transactions. Corruption continues to be widespread and, although there have been recent reform initiatives and legislation, existing laws are often not enforced. The sources of illegal money are numerous but primarily derive from Bulgaria’s position as a transit hub for drugs and as a source and transit country for people being trafficked into Western Europe. Other contributing activities are tax and custom offenses; fraud; usury; cybercrime, especially ATM and credit card fraud; and the trade of contraband goods such as cigarettes, alcohol, and fuel.

Industries that Bulgarian criminals use for money laundering include tourism, gaming, retail, and construction. The latter two have been hard hit by the financial crisis and are therefore becoming more challenging places to hide money, but still are used. Within these sectors, small businesses are created to hide laundered funds, increasingly in offshore territories where ownership is

difficult to trace. The businesses most frequently used for this purpose in 2013 were casinos, night clubs, car dealerships, shopping centers, pawn shops, and metal scrap collectors. Furthermore, there is a legitimate green energy sector in Bulgaria, but some projects in the sector have been identified as vehicles for laundering money. New renewable ventures are typically incentivized through subsidies, require high cash turnover, and operate in an unpredictable regulatory environment, which can make them attractive to those seeking to hide profits or illicitly transfer money.

A significant facet of the grey economy in Bulgaria is large-scale tax evasion, particularly of value added tax and excise duties. Studies show that evasion of social security payments, through unreported income and informal employment arrangements, increased in 2013. Additionally, there are six free trade zones in Bulgaria operating under outdated and permissive legislation that allows firms to avoid paying customs fees on taxable goods, such as gas derivatives and cigarettes, sold within Bulgaria. The flow of remittances sent home by Bulgarians working abroad is difficult to measure, but, according to the Bulgarian National Bank, in 2013 it reached the highest rate ever recorded.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.; NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: **criminally:** NO **civilly:** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: NO Domestic: YES

KYC covered entities: Banks, money exchangers, insurance companies, investment funds, notaries, gaming businesses, securities dealers, real estate brokers, political parties, sports clubs, non-profit organizations (NPOs), lawyers, auditors, and accountants

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 1,071: January 1 - June 30, 2013

Number of CTRs received and time frame: 107,652; January 1 - June 30, 2013

STR covered entities: Banks and money exchangers; insurance companies; investment funds; gaming businesses; securities dealers and company service providers; real estate brokers; political parties, professional organizations, and trade unions; sports clubs; NPOs; dealers of autos, arms, petrol, and petrochemical products; accountants, notaries, and lawyers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 21: January 1 - June 30, 2013

Convictions: 9: January 1 - June 30, 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO **Other mechanism:** YES

With other governments/jurisdictions: YES

Bulgaria is a member of the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body. Its most recent mutual evaluation can be found at:

http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Bulgaria_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Bulgaria continues to implement the 2011 Strategy for Combating Money Laundering. In 2012 and 2013, it further strengthened its legal framework by obliging reporting entities, such as banks, to closely monitor complex and large transactions, and to make this information available to the Financial Intelligence Directorate (FID), Bulgaria's financial intelligence unit. Parliament also adopted new non-conviction-based asset forfeiture legislation that allows investigation and seizure without criminal conviction. In practice, however, use of the legislation has been hampered by a high statutory threshold of BGN 250,000 (approximately \$173,300) between documented legal income and assets owned.

Online gaming is regulated by the State Commission for Gambling under the Ministry of Finance. In 2012, Parliament enacted legislation to regulate online casinos and other types of gaming institutions, but many businesses have found ways to avoid becoming licensed, and the high tax rates that come with it. In response, in June 2013, the Commission ordered internet providers to cut users' access to unlicensed online sites. In December 2013, Parliament approved amendments aimed at reducing tax levels to encourage licensing.

Although reporting by non-bank institutions, such as gaming entities, investment intermediaries, notaries, NPOs, and leasing companies has increased, it continues to be low. The capacity of the FID remains limited, particularly with respect to performing onsite inspections in non-banking institutions. Publicly available information on persons who own, control, or direct the activities of NPOs is not consistently maintained.

Financial crimes enforcement capacity is limited. Aggressive prosecution of money laundering cases is significantly hampered by the lack of financial expertise within law enforcement and the prosecution service, and by the limited pool of independent experts contracted to make complex financial analyses. Slow introduction of e-government initiatives, especially in public procurement, has created opportunities for fraud and impeded law enforcement efforts. Other limitations are based on a reluctance of key witnesses to testify against organized criminal groups and lack of incentives to motivate prosecutors to take on such complex cases. The authorities generally opt to pursue easy-to-prove, low level corruption and related money laundering cases. However, in November 2013, prosecutors launched a money laundering investigation into an influential Bulgarian politician who resigned as Deputy Speaker of

Parliament days before being formally charged with the crime. An inspection of his assets for possible recovery through the civil court system is ongoing.

The Bulgarian Foreigners' Act grants permanent Bulgarian residency to foreigners who deposit BGN 1 million (approximately \$694,500) in a Bulgarian credit institution for a five-year period. This has caused problems in the past because investors were able to secure other loans based on the deposit without investing in Bulgarian firms, all while earning Bulgarian citizenship. The provision was overturned in early 2013, but then, after a change in governments, reintroduced in late 2013. It passed again, but a Presidential veto this time around ensures the deposit cannot be used to secure loans from other credit institutions and, therefore, is likely to be invested.

The government did not identify, freeze, seize, or forfeit any terror-related assets.

Burkina Faso

Burkina Faso is not a regional financial center. Its economy is primarily cash-based, and most economic activity takes place in the informal sector. Only an estimated six percent of the population has bank accounts. Burkina Faso lacks the resources necessary to monitor adequately the movement of goods and people across its porous borders. Narcotics trafficking, smuggling, contraband sales, and black market currency transfers occur within the country. Corruption, a lack of resources, and overburdened and weak judicial and law enforcement systems are major challenges to the government's ability to counter these activities. There were hundreds of reported instances of corruption in the country's customs service in 2012, increasing the country's vulnerability to smuggling and money laundering.

While there is no significant domestic market for illicit or smuggled goods in Burkina Faso, there is evidence that goods have been smuggled across the country's borders and through the airport in Ouagadougou, specifically narcotics, cigarettes, and endangered animal species. Those involved in smuggling are generally not producers, organizers, or financiers; they are generally low-level couriers serving criminal and trafficking networks based in neighboring countries.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** NO

Money Laundering and Financial Crimes

KYC covered entities: The Public Treasury, Central Bank of West African States (BCEAO), banks and microfinance organizations, exchange bureaus, independent legal professionals, auditors, real estate agents, funds transporters, owners of casinos and lotteries, travel agencies, nongovernmental organizations (NGOs), and agents selling high-value goods and precious metals

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 17: January 1 - September 30, 2013

Number of CTRs received and time frame: 0 in 2013

STR covered entities: The Public Treasury, BCEAO, banks and microfinance organizations, exchange bureaus, independent legal professionals, auditors, real estate agents, funds transporters, owners of casinos and lotteries, travel agencies, NGOs, and agents selling high-value goods and precious metals

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 2: December 2012 - September 30, 2013

Convictions: 0 in 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** NO **Other mechanism:** YES

With other governments/jurisdictions: YES

Burkina Faso is a member of the Inter Governmental Action Group Against Money Laundering in West Africa (GIABA), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.giaba.org/reports/mutual-evaluation/Burkina%20Faso.html>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

During 2013, Burkina Faso transposed into domestic law an Economic Community of West African States directive on financial transparency and good governance; established the powers, composition, and functioning of its Advisory Committee on Asset Freezing; appointed the Ministry of Finance and Economy as the competent authority in charge of asset forfeiture; established an Organized Crime and Terrorism Task Force Unit of the National Police; made critical appointments to the Burkinabe financial intelligence unit (FIU); and established the FIU's official functions as well as its lead times for processing cases.

Despite this progress, Burkina Faso remains at risk of money laundering and faces threats emanating from predicate criminal activities and insecurity in the Sahel region. Its capacity to respond to these threats remains insufficient, although the Government of Burkina Faso continues to cooperate with regional and global counterterrorism efforts. Records exchange with countries outside of the West African Economic and Monetary Union is possible via bilateral agreement, and Burkina Faso's FIU, the National Financial Information Processing Unit, is open to exchanging information with counterpart FIUs on a reciprocal basis. It has done so with Gabon, Ghana, Monaco, Morocco, and Nigeria. In 2013, Burkina Faso became a member of the Egmont Group of FIUs.

Burkina Faso should criminalize terrorist financing in line with international standards, demonstrate the effectiveness of its terrorist asset freezing regime, and implement an effective national strategy to combat money laundering and terrorism financing, especially given the challenges inherent in the regional security environment. Furthermore, the government should strengthen due diligence measures in the financial system, the supervision and monitoring of reporting entities, and international cooperation efforts.

Burma

Burma is not a regional or offshore financial center. Its economy is underdeveloped and its historically isolated banking sector is just beginning to reconnect to the international financial system. However, Burma's prolific drug production, the growing use of credit/debit cards connected to international financial institutions, and lack of transparency make it attractive for domestic, and possibly, international money laundering. While its underdeveloped economy remains unattractive as a destination to place funds, the low risk of enforcement and prosecution makes it potentially appealing to the criminal underground. Trafficking in persons; the illegal trade in wildlife, gems, and timber; and public corruption are also major sources of illicit proceeds.

Burma continues to be a major source of opium and exporter of heroin, second only to Afghanistan; however, Burma's level of poppy cultivation is considerably lower than in the peak during the 1980s and 1990s. Burma's long, porous borders are poorly patrolled. In some remote regions where smuggling is active, ongoing ethnic tensions, and in some cases armed conflict, impede government territorial control. In other areas, political arrangements between ethnic armed groups and Burma's government allow organized crime groups to function with minimal risk of interdiction. The Government of Burma still considers drug enforcement secondary to security and is willing to allow narcotics trafficking in border areas in exchange for cooperation from ethnic armed groups.

Corruption is endemic in both business and government. State-owned enterprises and military holding companies retain significant influence over the economy, including control of a substantial portion of Burma's natural resources. There is a continued push to privatize more government assets. The privatization process provides potential opportunities for graft and money laundering, including by business associates of the former regime and politicians in the current civilian government, some of whom are allegedly connected to drug trafficking. Rising trade and investment flows since 2011, involving a wider range of countries and business agents than in prior years, also provide opportunities for increased corruption and illicit activities. Over the past several years, Burma has enacted several reforms intended to reduce the banking sector's vulnerability to narcotics-related money laundering.

Rule of law remains weak, and Burma continues to face significant risk of narcotics proceeds being laundered through commercial ventures. There are at least five operating casinos, including one in the Kokang special region near China, that primarily target foreign customers. Little information is available about the regulation or scale of these enterprises.

Money Laundering and Financial Crimes

In its October 18, 2013 Public Statement, the FATF notes that Burma has taken steps to improve its AML/CFT regime; however, Burma has not made sufficient progress in implementing its action plan and continues to have certain strategic AML/CFT deficiencies. In November 2003, the United States identified Burma as a jurisdiction of “primary money laundering concern” under Section 311 of the USA PATRIOT Act, a finding that remains in place. The United States continues to issue advisories to financial institutions, alerting them to the risk posed by Burma’s AML/CFT deficiencies and of the need to conduct enhanced due diligence with respect to financial transactions involving Burma.

In July 2012, the United States eased economic sanctions related to new U.S. investments in Burma and the exportation of financial services to Burma. In November 2012, the U.S. also eased, to a large extent, the ban on Burmese imports imposed in 2003 under the Burmese Freedom and Democracy Act and Executive Order 13310. However, U.S. legislation and Executive Orders that block the assets of members of the former military government and three designated Burmese foreign trade financial institutions, freeze the assets of additional designated individuals responsible for human rights abuses and public corruption, and impose travel restrictions on certain categories of individuals and entities remain in force. On February 22, 2013, the U.S. Treasury issued General License No. 19 to authorize U.S. persons to conduct most transactions – including opening and maintaining accounts and conducting a range of other financial services – with four of Burma’s major financial institutions: Asia Green Development Bank, Ayeyarwady Bank, Myanma Economic Bank, and Myanma Investment and Commercial Bank.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/i/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach

Are legal persons covered: **criminally: YES** **civilly: NO**

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES

KYC covered entities: Banks

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 37: January 1 - October 31, 2013

Number of CTRs received and time frame: 191,834: January 1 - October 31, 2013

STR covered entities: Banks (including bank-operated money changing counters); GOB bodies such as the Customs Department, Internal Revenue Department, Trade Administration Department, Marine Administration Department and Ministry of Mines; state-owned

insurance company and small loan enterprise; securities exchange; accountants, auditors, legal and real estate firms and professionals; and dealers of precious metals and stones

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO ***Other mechanism:*** NO

With other governments/jurisdictions: YES

Burma is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at:

<http://www.apgml.org/members-and-observers/members/member-documents.aspx?m=e0e77e5e-c50f-4cac-a24f-7fe1ce72ec62>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Burma's financial sector is extremely underdeveloped and most currency is held outside the formal banking system, although bank deposits have increased at a strong pace over the past several years. The informal economy generates few reliable records, and Burma makes no meaningful efforts to ascertain the amount or source of income or value transfers. Regulation of financial institutions is likewise extremely weak. While some Burmese financial institutions may engage in currency transactions related to international narcotics trafficking that include significant amounts of U.S. currency, the absence of publicly available information precludes confirmation of such conduct. Burmese law does not contain any customer due diligence (CDD) requirements, although the Central Bank (CB) issues guidelines for banks to follow and some entities implement CDD procedures under other, non-AML-related legal provisions. The government should draft new KYC/CDD rules and expand the number of organizations required to have such procedures.

Burma does not specifically criminalize terrorism financing or designate it as a predicate offense for money laundering, nor is terrorism financing an extraditable offense. In 2012, Burma removed its reservations to the extradition articles of several international conventions. Burma should continue implementing its action plan in order to address noted deficiencies, including by passing the draft Counter Terrorism Law (CT Law) to criminalize terrorism financing, establish procedures to identify and freeze terrorist assets, and further strengthen the extradition framework for terrorism financing. The CT Law was submitted for Parliamentary review at the end of 2013. The GOB also should seek to submit to Parliament in early 2014 a draft extradition law that it began drafting in October 2013.

Efforts to address widespread corruption are impeded by the military's influence over civilian authorities, including the police, especially at the local level. Low salaries create an incentive for civil servants to seek bribes to supplement their incomes. A new anti-corruption law went into effect on September 17, 2013.

Burma should end all policies that facilitate corrupt practices and money laundering, and strengthen regulatory oversight of the formal financial sector. It also should strengthen the CDD measures included in the 2002 Control of Money Laundering Law (CMLL). Burma should update and strengthen the CMLL by passing the Anti-Money Laundering Law, a completed draft of which has been submitted to Parliament. The financial intelligence unit should become a fully funded agency that functions without interference, and Burma should supply adequate resources to administrative and judicial authorities for their enforcement of government regulations. In July, Burma took a major step to remove the CB from the operational control of the Ministry of Finance; it enacted a new law that grants the CB both independence and exclusive jurisdiction over monetary policy.

Burma became a party to the UN Convention against Corruption on December 20, 2012.

Burundi

Burundi is not considered a significant center for money laundering or terrorist financing. The Government of Burundi has enacted AML/CFT legislation and become a party to relevant conventions, but has yet to commit funding, provide training, implement policies, or demonstrate the political will to counter money laundering in practice. Corruption is a significant problem and corrupt Burundian politicians are adept at devising methods of laundering stolen Burundian assets abroad, enjoying near impunity.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: Not available
Are legal persons covered: ***criminally:*** YES ***civilly:*** NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Not available

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 0 in 2013

Number of CTRs received and time frame: 0 in 2013

STR covered entities: Not available

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2013

Convictions: 0 in 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* NO *Other mechanism:* NO
With other governments/jurisdictions: NO

Burundi is not a member of a FATF-style regional body (FSRB).

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Although AML/CFT laws exist, there appears to be little political will to prosecute violators or to commit the resources to investigate possible crimes, particularly those that could implicate high-level government officials. The enforcement of laws in general is hindered by a dysfunctional and corrupt administration and a severe lack of capacity in supervisory, investigative, and enforcement bodies. The Bank of the Republic of Burundi, the country's central bank, supervises and examines financial institutions for compliance with AML/CFT laws and regulations. A law requiring banks to report large deposits or transactions to authorities is not enforced.

Neither the Financial Crime Unit (FCU) of the Burundian National Police nor the Financial Intelligence Unit (FIU) of the Ministry of Finance has conducted any financial investigations. Burundian law enforcement officials lack training and expertise in investigating financial crimes. The Government of Burundi should develop an oversight capability and provide sufficient resources, funding, and training to the FIU and the FCU.

The Government of Burundi should become a party to the International Convention for the Suppression of the Financing of Terrorism, and take steps toward becoming a member of an FSRB.

Cabo Verde

A small archipelago nation off the coast of West Africa, Cabo Verde is not known as a regional financial center. Nevertheless, given its location between Latin America and Africa, its significant coastline, and a large shadow economy, Cabo Verde remains vulnerable to money laundering and terrorism financing. The vast majority of laundered funds are the proceeds of narcotics trafficking. Because of its location in the Atlantic Ocean along major trade routes, Cabo Verde is an important transit country for narcotics headed to Europe from South America via Africa. Narcotics transit Cabo Verde by commercial aircraft and maritime vessels, including yachts.

While smuggling along Cabo Verde's island coastlines remains a concern, there is no significant market for illicit or smuggled goods in Cabo Verde itself. Most drugs are destined for other markets. The formal financial sector may be used to launder the proceeds of drug trafficking, but there is no evidence that it is used to finance terrorism. Public corruption is limited and does not appear to contribute to money laundering in Cabo Verde.

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For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** NO ***Domestic:*** NO

KYC covered entities: Banks, money exchangers, accountants and fiscal consultants, notaries, insurance companies, lawyers, real estate or property brokers, dealers in precious metals and stones, gaming centers, auto dealers, and securities dealers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not available

STR covered entities: Banks, money exchangers, accountants and fiscal consultants, notaries, insurance companies, lawyers, real estate or property brokers, dealers in precious metals and stones, gaming centers, auto dealers, and securities dealers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 14: January 1 - September 30, 2012

Convictions: 0

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO ***Other mechanism:*** YES

With other governments/jurisdictions: YES

Cabo Verde is a member of the Inter Governmental Action Group against Money Laundering in West Africa (GIABA), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.giaba.org/reports/mutual-evaluation/Cabo%20Verde.html>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Limited resources hamper the Government of Cabo Verde's ability to enforce AML regulations, and local institutions are often unaware of their reporting responsibilities. The Cabo Verdean Central Bank publishes procedures with which financial institutions must comply regarding customer identification and due diligence, analysis of customer transactions, suspicious transaction reporting, and record-keeping.

Both government officials and international experts have identified deficiencies in the legal framework for Cabo Verde's Financial Information Unit (UIF), its financial intelligence unit (FIU). The UIF still lacks adequate human and financial resources to carry out all its functions effectively, particularly the proper identification, analysis, and dissemination of suspicious transactions. For statistical purposes, currency transaction reports (CTR) and suspicious transaction reports (STR) are not differentiated; a total of 89 reports were received between January 1 and September 30, 2013. In 2013, the UIF submitted an application to join the Egmont Group of FIUs. Also in 2013, the UIF concluded memoranda of understanding with a number of other West African FIUs to permit the bilateral exchange of confidential financial information.

A law passed in January 2013 establishes deterrent and punitive measures to combat terrorism and terrorism financing. The government of Cabo Verde has begun to implement that law, but should take additional steps, including those necessary to implement its obligations under UNSCRs 1267 and 1373.

Cambodia

Cambodia is neither a regional nor an offshore financial center. Several factors, however, contribute to Cambodia's significant money laundering vulnerability. These include Cambodia's weak and ineffective AML regime; cash-based, dollarized economy; fast-growing formal banking sector; porous borders; loose oversight of casinos; and the limited capacity of the National Bank of Cambodia to oversee the fast growing financial and banking industries. A weak judicial system and endemic corruption are additional factors negatively impacting enforcement.

Cambodia has a significant black market for smuggled goods, including drugs and imported substances for local production of methamphetamine. Both licit and illicit transactions, regardless of size, are frequently done outside of formal financial institutions and are difficult to monitor. Cash proceeds from crime are readily channeled into land, housing, luxury goods, and other forms of property without passing through the formal banking sector. Casinos along the borders with Thailand and Vietnam also are another potential avenue to convert ill-gotten cash.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: Combination approach

Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: **Foreign:** YES **Domestic:** NO

KYC covered entities: Banks, microfinance institutions, and credit cooperatives; securities brokerage firms and insurance companies; leasing companies; exchange offices/money exchangers; real estate agents; money remittance services; dealers in precious metals and stones; post offices offering payment transactions; lawyers, notaries, accountants, auditors, investment advisors, and asset managers; casinos and gaming institutions; non-governmental organizations (NGOs) and foundations

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not available

STR covered entities: Banks, microfinance institutions, and credit cooperatives; securities brokerage firms and insurance companies; leasing companies; exchange offices/money exchangers; real estate agents; money remittance services; dealers in precious metals and stones; post offices offering payment transactions; lawyers, notaries, accountants, auditors, investment advisors, and asset managers; casinos and gaming institutions; NGOs and foundations

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO ***Other mechanism:*** NO

With other governments/jurisdictions: YES

Cambodia is a member of the Asia/Pacific Group on Money Laundering, a FATF-style regional body. Its most recent mutual evaluation can be found at:

<http://www.apgml.org/documents/default.aspx?DocumentCategoryID=17>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Cambodia's AML/CFT law allows authorities to freeze assets relating to money laundering or the financing of terrorism until courts have rendered final decisions, but the AML/CFT regime lacks a clear system for sharing assets with foreign governments. In May 2013, the Government of Cambodia amended Articles 3, 29, and 30 of the AML/CFT law. The amended Article 3 clarifies the definitions of "property" and "predicate offense" by listing items which are considered "property" under the law and setting forth specific activities that constitute "predicate offenses." Cambodia has included terrorism financing as a predicate offense. The amended Article 29 provides guidance on the penal sanctions for both money laundering and terrorism financing offenses in much greater detail. The amended Article 30 clarifies the procedures to freeze and confiscate property; however, it is too early to judge the effectiveness of the procedures' implementation. Despite the above efforts, Cambodia should take further steps to implement adequate procedures for the confiscation of funds related to money laundering; ensure

a fully operational and effectively functioning financial intelligence unit (FIU); and establish and implement effective controls for cross-border cash transactions. Given the high level of corruption, Cambodia also should require enhanced due diligence for domestic politically exposed persons (PEPs).

The primary enforcement and implementation concerns involve the willingness and ability of reporting entities to comply with, and law enforcement and regulatory bodies to enforce, money laundering laws and regulations. The government should work to increase the reporting of suspicious transaction reports (STRs) from reporting entities of all types and increase the capability of the nascent and understaffed FIU. Cambodia also should work to develop mechanisms to allow independent distribution of FIU analyses directly to the most appropriate law enforcement bodies as well as mechanisms to facilitate law enforcement requests for information from the FIU.

The law on AML/CFT excludes pawn shops from its explicit list of covered entities but does allow the FIU to designate any other profession or institution to be included within the scope of the law. In 2012, the government issued a sub-decree to establish a National Coordination Committee on Anti-Money Laundering and Combating the Financing of Terrorism (NCC), as a permanent and senior-level coordination mechanism for preventing and controlling money laundering and terrorism financing in Cambodia. The NCC has the authority to coordinate with all stakeholders and to make decisions on the prevention and control of money laundering and terrorism financing. The key role of the NCC is to ensure the effective implementation of the AML/CFT law, including the development of national policy and a monitoring system to measure AML/CFT efforts. The NCC has been active in putting forward legal and policy reforms to tackle the country's AML deficiencies.

Cambodia should work to strengthen control over its porous borders. Cambodia should design and implement effective operational procedures both within affected agencies as well as among agencies, and measure the effectiveness of these procedures on an ongoing basis. It must also provide training to increase the capacity of reporting entities, law enforcement and judicial agencies, and regulatory bodies, as well as empower and require law enforcement and regulators to strictly enforce AML/CFT laws and regulations.

Cameroon

Cameroon's growing financial sector is the largest in the Economic and Monetary Community of Central African States (CEMAC). Despite the presence of numerous banks, insurance companies, microfinance institutions, and a nascent stock exchange, Cameroon is still relatively disconnected from the international financial system. Only a small portion of the population has bank accounts and the majority of financial transactions occur in cash. Many of the financial crimes occurring in Cameroon derive from domestic corruption, tax evasion, and embezzlement. In recent years, authorities have discovered offshore transfers in some corruption cases, and the use of real estate to launder money has grown. Cameroon is not a major narcotics destination.

Terrorism activity in neighboring countries, most notably Nigeria, where Boko Haram is based; illicit wildlife trafficking; and maritime piracy present risks to the integrity of the Cameroonian

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financial system, and their proceeds may facilitate the movement and activities of terrorists and drug trafficking organizations within Cameroon. Instability in neighboring countries and the use of a common currency have resulted in Cameroon being used as a conduit to move funds from those countries to Europe. Cameroon's economy is heavily cash dependent. Trade-based money laundering is rampant and utilizes the banking system and microfinance institutions. Cameroon is particularly vulnerable to abuse by bulk cash smugglers and exploitation by/of companies transferring money internationally. Most foreign currency transactions are in euros or dollars.

As a member of CEMAC, Cameroon shares a regional central bank, the Bank of the States of Central Africa (BEAC), with other member countries. Members have ceded regulatory authority over their banks to CEMAC.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: **Foreign:** YES **Domestic:** YES

KYC covered entities: The treasuries of CEMAC member states; BEAC; banks and microfinance institutions; insurance brokers and firms; manual money changers; managers, directors, and owners of casinos and gaming establishments; notaries, accountants, auditors, tax advisors, and lawyers; securities or asset managers and brokers; company formation agents and managers; trusts; real estate agents; companies that transport and transfer funds; travel agencies; dealers in high-value goods, metals, precious stones, and automobiles; and the Douala Stock Exchange

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 269 in 2013

Number of CTRs received and time frame: Not available

STR covered entities: The treasuries of CEMAC member states; BEAC; banks and microfinance institutions; insurance brokers and firms; manual money changers; managers, directors, and owners of casinos and gaming establishments; notaries, accountants, auditors, tax advisors, and lawyers; securities or asset managers and brokers; company formation agents and managers; trusts; real estate agents; companies that transport and transfer funds; travel agencies; dealers in high-value goods, metals, precious stones, and automobiles; and the Douala Stock Exchange

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** NO **Other mechanism:** YES

With other governments/jurisdictions: YES

Cameroon is a member of the Action Group against Money Laundering in Central Africa (GABAC), an entity in the process of becoming a FATF-style regional body (FSRB). GABAC conducted a mutual evaluation for Cameroon in April 2013, which has not yet been published.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Cameroon, including the National Agency for Financial Investigation (ANIF), Cameroon's financial intelligence unit, should continue to work with GABAC to implement an effective AML/CFT regime in line with international standards. ANIF has conducted several training sessions during the past two years, as well as annual working sessions and meetings with banks and microfinance institutions. ANIF should work to improve coordination with law enforcement and judicial authorities, with the objectives of enhancing financial investigations, obtaining convictions, and generating and compiling relevant statistics.

Cameroon's Ministry of Justice should cooperate closely with ANIF to improve suspicious transaction report (STR) submissions, in both quality and quantity, and to ensure that STRs, once disseminated to law enforcement, are fully investigated. The Ministry of Justice should work with international partners to assess and address the training needs of prosecutors and magistrates. The government also should continue to work to implement cross-border currency reporting requirements, improve oversight of domestic money transfer entities, train its agents at points of entry to detect and investigate bulk cash smuggling, and train its reporting entities in the public and private sectors to identify suspicious transactions.

Canada

Money laundering activities in Canada are primarily a product of illegal drug trafficking and financial crimes, such as credit card and securities fraud, and fraudulent mass-marketing. The criminal proceeds laundered in Canada derive predominantly from domestic activity controlled by drug trafficking organizations and organized crime.

The money laundering methods used in Canada have remained relatively consistent in recent years. They include smuggling; money service businesses and currency exchanges; casinos; the purchase of real estate; wire transfers; establishment of offshore corporations; use of credit cards, stored value cards, and new payment methods; use of nominees; use of foreign bank accounts; and the use of professional services such as lawyers and accountants.

Canada does not have a significant black market for illicit goods. Cigarettes are the most commonly smuggled good in the country. There are indications that trade-based money

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laundering occurs; and underground financial systems are used within the immigrant community. Some human trafficking organizations have engaged in money laundering. There is no certainty that this activity is tied to terrorism financing.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** NO
KYC covered entities: Banks and credit unions; life insurance companies, brokers, and agents; securities dealers; casinos; real estate brokers and agents; agents of the Crown (certain government agencies); money services businesses; accountants and accounting firms; lawyers; dealers in precious metals and stones; and notaries in Quebec and British Columbia

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 79,294: April 1, 2012 - March 31, 2013
Number of CTRs received and time frame: 8,523,416: April 1, 2012 - March 31, 2013
STR covered entities: Banks and credit unions; life insurance companies, brokers, and agents; securities dealers; casinos; real estate brokers and agents; agents of the Crown; money services businesses; accountants and accounting firms; dealers in precious metals and stones; and notaries in British Columbia and Quebec

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 180 in 2011
Convictions: 18 in 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES ***Other mechanism:*** YES
With other governments/jurisdictions: YES

Canada is a member of the FATF and the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.fatf-gafi.org/media/fatf/documents/reports/mer/MER%20Canada%20full.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Canada has a rigorous detection and monitoring process in place to identify money laundering and terrorism financing activities, but a weak enforcement and conviction capability. Canada's financial intelligence unit, the Financial Transaction Reports Analysis Center of Canada (FINTRAC) made 919 disclosures to law enforcement and other government agencies from April 1, 2012 to March 31, 2013. Of these, 719 disclosures were money laundering related, 157 were terrorism financing or security threat related, and 43 were both money laundering and terrorism financing or security related. Obstacles to successful enforcement include privacy rules that prevent FINTRAC from freely sharing information with law enforcement; complex investigations that can take understaffed police agencies years to finish; and overworked Crown Prosecutors who often plea bargain away difficult money laundering cases, instead prioritizing drug trafficking charges since such charges are viewed as having a stronger likelihood of conviction.

The possession of proceeds of crime is a criminal offense under the criminal code and is considered money laundering. The same penalties apply to both money laundering convictions and convictions for possession of criminal proceeds involving more than \$5,000. As such, possession of proceeds of crime is not considered to be a lesser offense and is equally effective in pursuing criminals and forfeiting their illicit assets. Investigators regularly make large cash seizures of Canadian and U.S. currency and seize assets purchased with cash, such as real property, vehicles, personal property (jewelry, furniture, and appliances), collectibles (antiques, coins, stamps), and other assets. Bulk cash smuggling is widespread.

In January 2013 the Government of Canada amended the Proceeds of Crime (Money Laundering) and Terrorist Financing Regulations to address deficiencies identified in Canada's AML/CFT regime relating to customer due diligence obligations. The changes require reporting entities to better identify customers and understand the nature of their business, monitor business relationships using a risk-based approach, and identify beneficial owners of corporations and trusts, consequently enabling the reporting entities to identify transactions and activities that are at greater risk for money laundering or terrorism financing. The regulations will go into effect February 1, 2014.

Canada should continue its work to strengthen its AML/CFT regime and ensure its privacy laws do not excessively prohibit providing information to domestic and foreign law enforcement that might lead to prosecutions and convictions.

Cayman Islands

The Cayman Islands, a UK Caribbean overseas territory, is an offshore financial center. Most money laundering that occurs in the Cayman Islands is primarily related to fraud and drug trafficking. Due to its status as a zero-tax regime, the Cayman Islands is also considered attractive to those seeking to evade taxes in their home jurisdictions.

The Cayman Islands is home to a well-developed offshore financial center that provides a wide range of services, including banking, structured finance, investment funds, various types of trusts, and company formation and management. As of March 31, 2013, the banking sector had

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\$1.63 trillion in assets. There were approximately 222 banks, 150 active trust licenses, 730 captive insurance companies, nine money service businesses, and more than 92,000 companies licensed or registered in the Cayman Islands. According to the Cayman Islands Monetary Authority, as of September 2013 there were approximately 8,239 registered mutual funds, of which 404 were administered and 133 were licensed. Shell banks are prohibited, as are anonymous accounts. Bearer shares can only be issued by exempt companies and must be immobilized.

Gambling is illegal. The Cayman Islands do not permit the registration of offshore gaming entities. There are no free trade zones, and the authorities do not see risks from bulk cash smuggling related to the large number of cruise ships that dock in the jurisdiction.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, trust companies, investment funds, fund administrators, insurance companies and managers, money service businesses, corporate and trust service providers, money transmitters, dealers of precious metals and stones, and the real estate industry

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 406: July 1, 2011 – June 30, 2012

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks, trust companies, investment funds, fund administrators, insurance companies and managers, money service businesses, corporate and trust service providers, money transmitters, dealers of precious metals and stones, and the real estate industry

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** YES ***Other mechanism:*** YES

With other governments/jurisdictions: YES

The Cayman Islands is a member of the Caribbean Financial Action Task Force (CFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: [http://www.cfatf-gafic.org/downloadables/mer/Cayman_Islands_3rd_Round_MER_\(Final\)_English.pdf](http://www.cfatf-gafic.org/downloadables/mer/Cayman_Islands_3rd_Round_MER_(Final)_English.pdf)

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

While the Cayman Islands increased both its regulatory and law enforcement staffing, the number of prosecutions and convictions is extremely low given the vast scale of the country's financial sector; there has been only one conviction since 2006.

Registered agents of private trust companies are obligated to maintain ownership and identity information for all express trusts under their control. International reporting suggests agents for private trust companies and individuals carrying on trust businesses may not consistently maintain identity and ownership information for all express trusts for which they act as trustees. In addition, there remains a lack of penalties for failing to report ownership and identity information, which undermines the effectiveness of identification obligations. The regulation of Master Funds (numbering 1,849 as of September 2012) under the Mutual Funds Law (2012 Revision) reduced the estimated number of unregulated funds. Funds failing to maintain identity information are subject to fines. The Cayman Islands also should pay greater attention to the risks and proper supervision of non-profit organizations.

The Cayman Islands continues to develop its network of information exchange mechanisms, and has a network of 27 information exchange agreements.

As a UK Caribbean overseas territory, the Cayman Islands cannot sign or ratify international conventions in its own right. Rather, the UK is responsible for the Cayman Islands' international affairs and may arrange for the ratification of any convention to be extended to the Cayman Islands. The 1988 Drug Convention was extended to the Cayman Islands in 1995. The UN Convention against Transnational Organized Crime was extended to the Cayman Islands in 2012. The UN Convention against Corruption has not yet been extended to the Cayman Islands; however, the full implementation platform for the anti-corruption convention exists under current Cayman law. A 2002 request for extension of the International Convention for the Suppression of the Financing of Terrorism to the Cayman Islands has not yet been finalized by the UK, although the provisions of the convention are implemented by domestic laws.

Central African Republic

The Central African Republic (CAR) is not a major financial center and has an extremely limited banking sector. The economy is almost entirely cash-based and enforcement of existing AML laws is weak given the current level of violence in the country, which started in December 2012 and led to the removal of the former president in March 2013. The CAR is a member of the Economic and Monetary Community of Central Africa and shares a regional bank with other members. The lack of a cohesive national security force and porous borders allow for cross-border activities to go undetected. Smuggling of contraband, including diamonds and arms,

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occurs across the unsecured border areas with Chad and Sudan. Undocumented trade across the river with Democratic Republic of Congo, which consists primarily of timber, domestic, and agricultural goods, also occurs. The CAR is also a source and transit country for the trafficking of persons. There is little information on the extent of the drug trade in the CAR or any financial transactions which occur as a result. Given the extremely limited scope of the financial sector, government authorities have expressed confidence in their ability to spot anomalies or significant suspicious banking transactions.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: List approach
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** NO ***Domestic:*** NO
KYC covered entities: Public treasuries, banks, investment companies, insurance companies, microfinance organizations, money exchange and transfer companies, casinos, notary offices, real estate and travel agencies, accounting and auditing offices, merchants

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available
Number of CTRs received and time frame: Not applicable
STR covered entities: Banks, microfinance organizations, merchants, public treasuries and money exchanges

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO ***Other mechanism:*** YES
With other governments/jurisdictions: YES

The CAR is a member of the Central African Action Group against Money Laundering (GABAC), an entity in the process of becoming a FATF-style regional body.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Oversight and enforcement of AML laws and regulations are lax in most areas of governance in the Central African Republic. The government lacks the capacity and political will to supervise financial activity and enforce legislation, and the responsibility to do so is ill-defined among the relevant enforcement bodies. The CAR has taken steps to establish a financial intelligence unit, but it is not operational due to lack of funding and staff. Widespread corruption permeates commerce and government.

Insufficient data and transparency make it difficult to assess the effectiveness of the CAR's AML efforts.

Chad

Chad's financial services sector is small and relatively underdeveloped. Chad does not serve as a regional financial center, and its financial services are not well integrated into global markets. Chad's economy is predominately cash-based, with relatively few transactions passing through formal financial institutions. Informal financial services such as hawala are widespread.

Despite the Government of Chad's efforts to secure its frontiers, the country's long, porous borders leave it vulnerable to the smuggling of goods and people across the Sahel. The market for contraband and smuggled goods varies by region. Along Chad's southern and western borders, including Lake Chad, the contraband goods market consists largely of foodstuffs, cigarettes, oil, and other household items smuggled into the country to avoid import duties. The key actors in the cigarette trade are legal importers and distributors, who import their merchandise from free trade zones in Dubai and elsewhere. Some of these items transit Chad. There are reports of diamonds from the Central African Republic being smuggled overland into Chad to be sold by Chadian merchants or transported to the Middle East. Across Chad's northern desert and along the Sudan/Chad border in the east, smuggled items also include drugs and weapons. Drugs, mainly cannabis and cocaine, are transported via Chad and Sudan to the Arabian Peninsula.

The French-led military intervention in Mali in January 2013 disrupted existing drug trafficking networks; the effect on trafficking routes through Chad is not clear. Chad does not have a significant domestic market for illegal drugs, although there is evidence of demand among Chadian youth for tramadol, a synthetic opiate and alternative to codeine. Counterfeit pharmaceuticals enter Chad from Nigeria and are sold by merchants in small quantities in local markets.

Chad is also at risk of wildlife poaching and illicit trade in ivory and other animal products. Poaching is one element of illicit commercial activity used to finance transnational criminal networks and armed rebel groups across Africa. By contrast, there is no indication that the illegal importation of household goods is financed by proceeds from narcotics trafficking or other illegal activities, nor does this trade directly finance terrorism. However, the trafficking of weapons, wildlife products, and drugs may be linked to organized criminal groups, some of which appear to have links to terrorist groups. Illicit proceeds do not generally appear to enter Chad's formal financial system.

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Chad's banking system is supervised by the Bank of Central African States (BEAC), the central bank that serves six Central African countries. BEAC's Economic Intervention Service harmonizes the regulation of currency exchanges in the six member states of the Central African Economic and Monetary Community (CEMAC). Within CEMAC, the Banking Commission of Central Africa addresses money laundering.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: List approach

Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES

KYC covered entities: Public treasury, banks, microfinance organizations, money exchange and transfer companies, casinos, notaries, real estate and travel agencies, accountants and auditors, and merchants

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 5: January 1 - October 31, 2013

Number of CTRs received and time frame: Not applicable

STR covered entities: Public treasury, banks, microfinance organizations, money exchange and transfer companies, casinos, notaries, real estate and travel agencies, accountants and auditors, and merchants

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2013

Convictions: 0 in 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO ***Other mechanism:*** YES

With other governments/jurisdictions: YES

Chad is a member of the Action Group against Money Laundering in Central Africa (GABAC), which is in the process of becoming a FATF-style regional body.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Chad's banking sector is underdeveloped and lacks sufficient capacity to implement banking regulations. The economy remains cash-based, yet the country does not have measures in place to detect the physical cross-border transportation of currency.

Chad's financial intelligence unit, the National Financial Investigative Agency, faces serious resource constraints. Financial intelligence reporting and analysis is limited. Additionally, law enforcement and customs officials require training in financial crimes investigation. There are regulations requiring banks to report suspicious transactions, but the practice is not universal.

Chad should become a party to the UN Convention against Corruption.

Chile

Chile has a large and well developed banking and financial sector with an established AML/CFT regime. Chile's economic stability and growth make it an attractive location for the financial operations of criminal groups. Systematic vulnerabilities include stringent bank secrecy laws and relatively new regulatory institutions in which oversight gaps remain. Increased trade and currency flows, combined with an expanding economy, could attract illicit financial activity and money laundering. Given Chile's extensive trading partnerships and long borders, its largely unregulated free trade zones are additional vulnerabilities. While in the past there appeared to be no significant market for illicit or smuggled goods in Chile, there have been recent seizures of counterfeit goods in Iquique, Santiago, and Valparaiso by Chilean Customs officials. There are limited incidences of public corruption.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** NO ***Domestic:*** NO
KYC covered entities: Banks and credit unions; pension funds; mutual fund administrators; securities brokers and dealers; leasing and factoring companies; credit card issuers and operators; insurance brokers and companies

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 1,243: January 1 - September 30, 2013
Number of CTRs received and time frame: Not available

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STR covered entities: Banks; savings and loan associations; financial leasing companies; general, mutual, and investment fund managers; pension fund administration companies; the Foreign Investment Committee; money exchange firms and other entities authorized to receive foreign currencies; factoring operations; credit card issuers and operators; securities brokers and agents; money transfer and transportation companies; stock exchanges; insurance companies; forwards and options market operators; tax-free zones' legal representatives; casinos, gaming houses, and horse tracks; customs general agents; auction houses; realtors and land developers; notaries and registrars; and sports clubs

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 128: January 1 - September 30, 2013

Convictions: 5: January 1 - July 30, 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO **Other mechanism:** YES

With other governments/jurisdictions: YES

Chile is a member of the Financial Action Task Force on Money Laundering in South America (GAFISUD), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.gafisud.info/documentos/eng/evaluaciones_mutuas/Chile_3ra_Ronda_2010.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Chile's AML efforts continue to mature. The Ministry of Finance's Financial Intelligence Unit, responsible for receiving suspicious transaction reports (STRs), reported an increase in STRs of 33.2 percent when comparing the first half of 2013 with the same period in 2012. Drug trafficking is the main source of investigations and convictions for laundering. Criminal organizations often try to avoid attention by establishing businesses that pay taxes to project an image of normality.

Despite increased activity, however, the most significant obstacle to money laundering investigations in Chile continues to be bank secrecy. Article 154 of the General Banking Law places all types of bank deposits and obligations under bank secrecy constraints, and only allows banking institutions to share information about such transactions with the depositor or creditor, or an authorized legal representative. Law 707 prohibits banks from sharing information about the movement and balances in a current account with a third party. Due to these legal restrictions, banks do not share information with prosecutors without a judicial order. Some banks and their compliance officers aggressively apply rigorous, international AML/CFT standards, but they are restricted to simply reporting suspicious activity. STR reporting applies only to checking, not savings, accounts. Other banks are slow to reply to court orders to provide prosecutors with additional information. Judges can detain the bank's general manager until all information is disclosed, but this tool is rarely used. In instances when a judge has issued an order for the general manager's detention, bank information was provided immediately. Tax authorities are allowed access to bank information without a judicial order under certain circumstances. Proposed legislation to ease secrecy constraints has been pending before the Senate for several years.

Contraband, intellectual property rights violations, and income tax evasion are not considered criminal offenses. Therefore, these illegal activities cannot be used as predicate offenses in money laundering investigations. These omissions can impose limitations in the prosecution of financial crimes. Given the above and Chile's extensive trading partnerships, authorities should examine trade-based value transfer systems as money laundering methodologies.

Chile should continue to improve its AML/CFT regime by establishing regulatory control over non-bank institutions, such as money exchange houses and charities. Additionally, Chile should enact legislation to allow for the lifting of bank secrecy and the freezing of terrorist assets to bring Chile closer to compliance with its UNSCR 1267 and 1373 obligations. Additionally, Chile should amend its AML legislation to cover all predicate offenses in accordance with international standards.

China, People's Republic of

The development of China's financial sector has required increased enforcement efforts to keep pace with the sophistication and reach of criminal and terrorist networks. The primary sources of criminal proceeds are corruption, narcotics and human trafficking, smuggling, economic crimes, intellectual property theft, counterfeit goods, crimes against property, and tax evasion. Chinese officials have noted that corruption in China often involves state-owned enterprises, including those in the financial sector.

While Chinese authorities continue to investigate cases involving traditional money laundering schemes, they have also identified the adoption of new money laundering methods, including illegal fund raising activity, cross-border telecommunications fraud, and corruption in the banking, securities, and transportation sectors. Chinese authorities have also observed that money laundering crimes are spreading from the developed coastal areas such as Guangdong and Fujian provinces to less-developed, inland regions.

Criminal proceeds are generally laundered via methods that include: bulk cash smuggling; trade-based money laundering; manipulating the invoices for services and the shipment of goods; the purchase of valuable assets such as real estate; the investment of illicit funds in lawful sectors; gambling; and the exploitation of the formal and underground financial systems, in addition to third-party payment systems.

China is not considered a major offshore financial center, but does have multiple Special Economic Zones (SEZs) and other designated development zones at the national, provincial, and local levels. SEZs include Shenzhen, Shantou, Zhuhai, Xiamen, and Hainan, along with 14 coastal cities and more than 100 designated development zones. As part of China's economic reform initiative, China opened the new China (Shanghai) Experimental Free Trade Zone in September 2013.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach
Are legal persons covered: *criminally:* YES *civilly:* YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* YES
KYC covered entities: Banks and credit unions, securities dealers, insurance and trust companies, financial leasing and auto finance companies, and currency brokers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 29,637,502 in 2012
Number of CTRs received and time frame: Not available
STR covered entities: Banks, securities and futures institutions, and insurance companies

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 11,645 in 2013
Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* NO *Other mechanism:* YES
With other governments/jurisdictions: YES

China is a member of the FATF, as well as the Asia/Pacific Group on Money Laundering (APG) and the Eurasian Group on Combating Money Laundering and Terrorist Financing (EAG), both of which are FATF-style regional bodies. Its most recent mutual evaluation can be found at:
<http://www.fatf-gafi.org/countries/a-c/china/>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

While 2011 legislation addressed some deficiencies in the implementation of the requirements of UNSCRs 1267 and 1373, some deficiencies remain. These include guidance for designated non-financial businesses and professions; delisting and unfreezing procedures; and the rights of bona fide third parties in seizure/confiscation actions.

The Government of China has strengthened its preventative measures, with an emphasis on requiring financial institutions to collect and maintain beneficial ownership information and making the STR reporting regime more comprehensive. In early 2013, the People’s Bank of China published new regulations requiring Chinese banks to rate clients’ risks based on a variety of factors, including a client’s location or nature of business.

China should enhance coordination among its financial regulators and law enforcement bodies to better investigate and prosecute offenders. China's Ministry of Public Security should continue ongoing efforts to develop a better understanding of how AML/CFT tools can be used to support the investigation and prosecution of a wide range of criminal activity.

China should ensure all courts are aware of and uniformly implement the mandatory confiscation laws. In domestic cases, once an investigation is opened, all law enforcement entities and the Public Prosecutors are authorized to take provisional measures to seize or freeze property in question in order to preserve the availability of the same for later confiscation upon conviction. At present, although China's courts are required by law to systematically confiscate criminal proceeds, enforcement is inconsistent and no legislation authorizes seizure/confiscation of assets of equivalent value. Confiscation is conviction based, while non-conviction-based forfeiture is unavailable.

The United States and China are parties to the Agreement on Mutual Legal Assistance in Criminal Matters. U.S. law enforcement agencies note the Government of China has not cooperated sufficiently on financial investigations and does not provide adequate responses to requests for financial investigation information. In addition to the lack of law enforcement-based cooperation, the China's inability to enforce U.S. court orders or judgments obtained as a result of non-conviction-based forfeiture actions against China-based assets remains a significant barrier to enhanced U.S. - China cooperation in asset freezing and confiscation. China's unwillingness and failure to provide seizure and forfeiture assistance increase the likelihood of the United States resorting to unilateral measures in cases where criminal forfeiture has been unavailable because no known defendants can be identified or returned to the United States for prosecution, thereby making civil forfeiture the only viable means to recover the criminal proceeds located in China.

China should expand cooperation with counterparts in the United States and other countries, and pursue international AML/CFT linkages more aggressively. U.S. agencies consistently seek to expand cooperation with Chinese counterparts on AML/CFT matters and to strengthen both policy- and operational-level cooperation in this critical area. While China continues to make significant improvements to its AML/CFT legal and regulatory framework and is gradually making progress toward meeting international standards, implementation remains lacking, particularly in the context of international cooperation.

Colombia

While the Colombian government is a willing and able partner in AML/CFT efforts and despite the Government of Colombia's fairly strict AML/CFT regime, the laundering of money primarily from Colombia's illicit drug trade continues to penetrate its economy and affect its financial institutions. Money laundering is a significant avenue for terrorist financing in geographic areas controlled by both the Fuerzas Armadas Revolucionarias de Colombia (FARC) and the bandas criminales (BACRIM).

Casinos, the postal money order market, bulk cash smuggling, wire transfers, remittances, the securities markets in the United States and Colombia, electronic currency, prepaid debit cards,

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and illegal mining all are being utilized to repatriate illicit proceeds to Colombia. The trade of counterfeit items in violation of intellectual property rights is another method to launder illicit proceeds. The 104 free trade zones in Colombia present opportunities for criminals to take advantage of inadequate regulation and transparency.

Criminal organizations with connections to financial institutions in other countries smuggle merchandise to launder money through the formal financial system using trade and the non-bank financial systems. In the black market peso exchange (BMPE), goods are bought with drug dollars from abroad and are either smuggled into Colombia via Panama or brought directly into Colombia's customs warehouses, thus avoiding various taxes, tariffs, and customs duties. In other trade-based money laundering schemes, goods are over- or under-invoiced to transfer value. According to experienced BMPE industry workers, evasion of the normal customs charges is frequently facilitated through corruption of Colombian oversight authorities.

In late 2012, Colombia created COLJUEGOS, the first independent consolidated authority to regulate the gaming industry. Indications are that much money laundering activity has moved to regionally-run lotteries called "chance." "Chance" currently has more transactions per day than all other financial transactions in the country combined. COLJUEGOS projects the revenue from gaming will triple in the next five years.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: List approach
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, stock exchanges and brokers, mutual funds, investment funds, export and import intermediaries (customs brokers), credit unions, wire remitters, money exchange houses, public agencies, notaries, casinos, lottery operators, car dealers, gold dealers, foreign currency traders, sports clubs, cargo transport operators, and postal order remitters

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 5,224: January - September 2013

Number of CTRs received and time frame: 8,346,494: January - September 2013

STR covered entities: Banks, securities broker/dealers, trust companies, pension funds, savings and credit cooperatives, depository and lending institutions, lotteries and casinos, vehicle dealers, currency dealers, importers/exporters and international gold traders

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 67: January - October 2013

Convictions: 8: January - October 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** YES **Other mechanism:** YES

With other governments/jurisdictions: YES

Colombia is a member of the Financial Action Task Force in South America (GAFISUD), a FATF-style regional body. Its most recent mutual evaluation can be found at:

http://www.gafisud.info/pdf/InformedeEvaluacinMutuaReplicadeColombia_1.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Key impediments to developing an effective AML/CFT regime are underdeveloped institutional capacity, lack of experience, and an inadequate level of expertise in investigating and prosecuting complex financial crimes. Colombian laws are limited in their respective authorities to allow different agencies to collaborate and pursue financial crimes, and there is a lack of clear roles and responsibilities among agencies. Regulatory institutions have limited analytical capacity and tools, and lack the technology to utilize successfully the vast amount of available data.

The Colombian Penal Code lays out a framework for an oral accusatory criminal justice system. The Colombian Attorney General (Fiscalia) National Money Laundering & Asset Forfeiture Unit (UNEDLA) is responsible for investigating the country's money laundering and asset forfeiture cases with law enforcement partners from the Colombian National Police (CNP) and the Prosecutor General's investigative body, the Technical Intelligence Corps (CTI). The UNEDLA structural framework requires that all cases be investigated, creating a resource challenge for the limited number of prosecutors, who then focus on the most serious cases. Although experienced, money laundering prosecutors would benefit from additional training, and investigators should have additional specialized financial training. Colombia should increase the number of judges specifically assigned to money laundering and asset forfeiture cases as there are only three asset forfeiture judges nationwide. Additionally, CTI continues to be plagued with corruption and has a significant turnover rate, including among senior management, making it difficult to formulate and achieve long-term objectives.

A relatively new organization, COLJUEGOS is unable to properly monitor the scope of the gambling industries' transactions. The staff is inexperienced and COJUEGOS does not have the systems and processes in place to ensure the industry is transparent and in compliance.

Colombian law limited the effectiveness of law enforcement by restricting the disclosure of financial intelligence from Colombia's financial intelligence unit (FIU), the Unit for Information

and Operational Analysis (UIAF), to the Fiscalia only. In 2010, the former director and deputy director of the UIAF were jailed for alleged disclosure of sensitive information; recently, both were found innocent of the charges. New UIAF leadership worked to improve interagency cooperation and successfully proposed a legislative change to designate the unit as an intelligence agency, allowing it to share information with other intelligence agencies. Colombia took steps to foster better interagency cooperation -- including improved case coordination among the UIAF, the Fiscalia's prosecutor, and the CNP's specialized judicial police units.

The UIAF recently implemented an assessment methodology to proactively generate tangible results in identifying criminal money laundering networks. Over the past two years, the UIAF detected illicit assets related to 251 Colombian investigations delivered by the Data Protection Center; the properties they identified for potential forfeiture investigation have an approximate commercial value of \$4.4 billion. In 2012, Colombia seized more than \$400 million of assets associated with drug trafficking and money laundering activities.

Since 2011, the UIAF worked with the Colombian financial sector to enhance the quality of STRs. The UIAF credits the recent increase in STRs to enhanced training that included recognizing red flags, using typologies to look for trends, and completing and submitting an STR. There was also an increase in reporting entities.

Colombia is developing as a regional AML/CFT leader, and is a key component of a Regional FIU Initiative to establish greater information sharing to combat transnational financial crimes. The government signed an agreement with El Salvador and Honduras and anticipates conducting training for Central American countries in 2014. The UIAF is working with FinCEN and Mexico's FIU to conduct strategic tri-partite cases among the three countries.

Following the successful closure of the majority of problematic regulated money exchange houses in the late 2000s, money laundering organizations infiltrated Colombia's stock brokerage industry. The Financial Superintendency of Colombia worked with international experts to develop more stringent regulatory criteria in response to U.S. investigations implicating Colombian brokerage firms in large-scale money laundering operations. In 2012, Colombia extradited 11 individuals involved in a money laundering scheme through local stock brokerage firms in Colombia. Through this scheme, stock brokers in Colombia laundered in excess of \$6 million in narcotics proceeds, which originated in the United States and were laundered through bank accounts in Colombia. Dubbed Operation Stock Block by the IRS, this was the first successful bilateral effort targeting stock brokers involved in narcotics money laundering in Colombia.

In late 2012, the government seized bank accounts and real estate with an approximate value of \$6 million as a result of a U.S. federal bank fraud investigation. The subject of the investigation, Romel Esmail, fled from the United States to Colombia to avoid prosecution. Esmail used the proceeds of a mortgage fraud scheme to acquire assets throughout Colombia.

Colombia's 2013 Asset Forfeiture Reform Law streamlines the asset forfeiture process and is anticipated to reduce by half the forfeiture case processing time.

The Government of Colombia should pass legislation that broadens respective authorities among agencies to foster collaboration in pursuing financial crimes. Agencies should have a clear delineation of roles and responsibilities, and regulatory institutions should have expanded analytical capacity and tools, including technology, to utilize successfully the vast amount of available data. Colombia should ensure appropriate training is provided to all officials involved in supervising, investigating, and prosecuting money laundering and terrorism financing.

Comoros

The Union of the Comoros (Comoros) consists of three islands: Ngazidja (Grande Comore), Anjouan, and Moheli, and claims a fourth (Mayotte), which France governs. Although Comoros lacks homegrown narcotics, the islands are used for transshipment, mainly from Madagascar and continental Africa. Comoros is not a financial center for the region. The Comoran financial system is underdeveloped and thus the risk of certain money laundering activities is relatively low. Neither Union nor island government authorities have the means to estimate the volume of illegal proceeds generated by predicate offenses committed in the country. Nevertheless, due to the low level of development in Comoros, such proceeds appear to be limited. The main proceeds-generating predicate offenses are narcotics trafficking, migrant smuggling, and corruption.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, mutual savings and loans, microfinance institutions, money remitters, real estate agents, lawyers, notaries, accountants, casinos, and dealers in precious metals and stones

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available
Number of CTRs received and time frame: Not applicable
STR covered entities: Banks, mutual savings and loans, microfinance institutions, money remitters, insurance companies, real estate agents, lawyers, notaries, accountants, company and trust service providers, and casinos

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2013

Convictions: 0 in 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* NO **Other mechanism:** YES

With other governments/jurisdictions: YES

Comoros is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a FATF-style regional body (FSRB). Its most recent mutual evaluation can be found at: http://www.esaamlg.org/userfiles/Comoros_Mutual_Evaluation_Detail_Report.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Comoros remains a significantly underdeveloped country with little financial intermediation or sophistication. Comoros has introduced a number of measures to establish an AML/CFT regime, including Parliament's adoption of AML/CFT legislation in June 2012.

In 2013, Comoros applied for, and received, observer status at a second FSRB, the Inter Governmental Action Group against Money Laundering in West Africa (GIABA), where the country will have access to French-language AML/CFT resources.

Comoran efforts to enforce its AML/CFT laws and regulations are hampered by insufficient resources and training, lack of capacity in government ministries, corruption, and a weak judiciary. Comoran government security forces have limited resources and lack AML/CFT training. There have been no investigations or convictions for money laundering or terrorism financing. While the law on economic citizenship technically permits the granting of citizenship to those who have been convicted of money laundering and/or drug trafficking, among other crimes, Comoran authorities state they have implemented strict control measures intended to prevent such abuses.

Congo, Democratic Republic of the

The Democratic Republic of the Congo (DRC) is not considered an important regional financial center. Nevertheless, its porous borders, weak law enforcement, lack of a functional judicial system, dollarized economy, and dominant informal sector put the country and its financial system at risk of abuse by criminals seeking to launder money or finance terrorism. The DRC covers nearly a million square kilometers (400,000 sq. mi) and has 7,000 km of porous borders with nine countries. State authority and administration are weak because of the country's vast territory and dilapidated infrastructure, among other challenges. Most economic activity in the DRC takes place in the informal sector, estimated to be up to ten times the size of the formal sector, with most transactions, even those of legitimate businesses, carried out in cash (often in U.S. dollars). Its parallel foreign exchange market is large and tolerated by the government.

Inefficient and burdensome customs and tax policies and chronically low public sector salaries encourage a climate of bribery and clandestine transactions, especially in import/export activities

and mineral sales. Customs and tax fraud, tax evasion, misappropriation of public funds, the sale of prohibited products and services, and illegal exploitation of minerals and other valuable materials are common. Casinos and smuggling of gold, diamonds, and weapons also are important sources of illicit revenues. Gold, diamonds, and other minerals are extensively mined in and routinely smuggled out of the DRC. Most of those cash transactions take place in dollars. The DRC does not have any free ports or areas designated as free trade zones.

Certain Congolese and foreign individuals and armed groups contributing to the conflict in the Democratic Republic of the Congo are subject to UN, U.S., and EU sanctions, including an arms embargo that applies to all non-governmental entities and individuals operating in the DRC. There are travel bans and asset freeze orders against certain members of militia and rebel groups.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.; NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: **criminally:** YES **civilly:** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES
KYC covered entities: Congolese Central Bank, banks, credit institutions, money transfer institutions, financial companies, microfinance institutions, money exchangers, insurance companies, leasing companies, financial intermediaries, postal checking systems, transferable securities and stock exchange market operations, gaming companies, notaries, independent legal advisors, real estate agencies, funds conveyors, travel agencies, auditors, accountants, tax consultants, and sellers of works of art, antiques, and precious stones

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 157 in 2012

Number of CTRs received and time frame: Not available

STR covered entities: Congolese Central Bank, banks, credit institutions, money transfer institutions, financial companies, microfinance institutions, money exchangers, insurance companies, leasing companies, financial intermediaries, postal checking systems, transferable securities and stock exchange market operations, gaming companies, notaries, independent legal advisors, real estate agencies, funds conveyors, travel agencies, auditors, accountants, tax consultants, and sellers of works of art, antiques, and precious stones

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 2 in 2013

Convictions: 2 in 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO **Other mechanism:** YES

With other governments/jurisdictions: YES

The DRC is not a member of a FATF-style regional body (FSRB).

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Banks and non-bank financial institutions are required to report all transactions over \$10,000 to the National Financial Intelligence Unit (CENAREF), the DRC's financial intelligence unit (FIU). CENAREF is responsible for analyzing, investigating, and disseminating information regarding suspected cases of money laundering (ML) or terrorism financing (TF). CENAREF also conducts periodic studies on ML/TF and advises the Government of the DRC on how to combat ML/TF. As of the end of 2013, CENAREF has submitted two case files to the Attorney General; 145 case files are under active investigation and information is being collected on 161 additional cases.

CENAREF collaborates very closely with the Belgian FIU. CENAREF also has expressed interest in increasing bilateral cooperation with the United States.

Limited resources hamper the DRC's ability to enforce AML laws and regulations, and local institutions and personnel lack training and capacity. A weak judicial system also impedes enforcement of AML regulations. Additionally, there is a strong perception that CENAREF is not empowered to investigate businesses and transactions if such investigations might adversely impact the economic interests of high-level Congolese officials and ruling elites.

The DRC should become party to the UN Convention against Corruption and the UN Convention against Transnational Organized Crime.

Congo, Republic of the

The Republic of the Congo (Congo (Brazzaville)) is not a major regional financial center, nor is it a major narcotics destination or source. The port city of Pointe-Noire is frequently utilized as a transshipment point for narcotics moving north to Europe or into Angola and the Democratic Republic of the Congo. Congo (Brazzaville), as part of the Euro-CFA Zone Agreements, deposits reserves with the Bank of Central African States (BEAC), a regional central bank that serves six Central African countries. BEAC conducts the Economic Intervention Service, which harmonizes the regulation of currency exchanges in the member states of the Central African Economic and Monetary Community (CEMAC). The BEAC also supervises the country's banking system, though evidence suggests the BEAC's supervision is insufficient. Most financial crimes involve domestic corruption and embezzlement. The economy is cash dependent, relying very little on electronic transfers and checks. When they travel, business executives and government officials alike carry large amounts of cash, which are frequently used to settle transactions. Money laundering through investments in real estate is a growing problem.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES
KYC covered entities: Banks, money exchangers, accountants, notaries, thrifts, and money remitters

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available
Number of CTRs received and time frame: Not available
STR covered entities: Banks, money exchangers, accountants, notaries, money remitters, jewelry shops, car dealers, casinos, and law firms

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO *Other mechanism:* YES
With other governments/jurisdictions: YES

The Republic of the Congo is a member of the Task Force against Money Laundering in Central Africa (GABAC), an entity in the process of becoming a FATF-style regional body. Congo (Brazzaville) has not yet had a mutual evaluation.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Despite widespread improvement in recent years, transparency and corruption remain significant problems in the Republic of the Congo. For example, during 2010, Congo (Brazzaville) was discovered to have diverted reserves required to be deposited into the BEAC to several Chinese bank accounts. The IMF discovered the illegal fund transfer and called for a return of these funds to the BEAC. The government complied in mid-2011, but evidence suggests that it has since diverted additional funds in the same way. Several Congo (Brazzaville) officials were

formerly well-placed BEAC officials, and there are concerns that current Congolese officials were involved in the embezzlement at the BEAC.

Review, record-keeping, and transparency are weak and have not kept up with the rapidly expanding public and private financial activities in the country. The government has many of the legal and institutional frameworks in place that are necessary to combat financial crime, but the relevant laws and regulations often are not implemented, and the institutions involved are staffed with poorly-trained or corrupt officials. Embezzlement and other illicit financial activities likely will become more complex and clandestine, particularly since the country has seen record oil profits for several consecutive years.

The Government of the Republic of the Congo should move to strengthen and enforce its AML/CFT regime on all fronts; it should make concerted efforts to crack down on corruption in both the public and private sectors; and should become a party to the UN Convention against Transnational Organized Crime.

Cook Islands

The Cook Islands is not a regional financial center and has no free trade zones. The Cook Islands' substantial offshore financial sector is an important part of the country's economy, but also represents its most significant vulnerability to money laundering and terrorism financing activities. The Government of the Cook Islands has taken steps to reduce the risks presented by both the offshore sector and its small domestic financial sector.

The large offshore financial sector developed from legislation enacted in the early 1980s, which allows the operation of international companies and trusts, including offshore banks and insurance companies. All offshore business conducted from the Cook Islands must be channeled through registered trustee companies. Currently, there are six registered trustee companies and four international banks. One of the domestic banks also has an international license. The industry provides a wide range of trust and corporate services to offshore investors with a tax rate for all offshore entities of zero, guaranteeing tax neutrality.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: **Foreign:** YES **Domestic:** YES

KYC covered entities: Banks (domestic and offshore), offshore insurers, and trustee companies

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 52 in 2013

Number of CTRs received and time frame: 2,226 in 2013

STR covered entities: Banks (domestic and offshore), offshore insurers, and trustee companies

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0

Convictions: 0

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other mechanism:*** YES

With other governments/jurisdictions: YES

Cook Islands is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.fatf-gafi.org/countries/a-c/cookislands/documents/mutualevaluationofthecookislands.html>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Cook Islands has a generally well-supervised financial industry. The government has significantly enhanced supervision of both the domestic and offshore sectors in the past three years, including the performance of annual on-site examinations of all domestic and offshore financial institutions. Large cash transactions involving locally-generated funds are immediately apparent, and suspicious transactions are reported to the Cook Islands financial intelligence unit for further review.

Despite having tightened its legislation and regulations in 2011 to more closely reflect international standards, Cook Islands officials note that the remaining money laundering and terrorism financing risks stem from low KYC standards and the fact that many businesses and customers from other jurisdictions, particularly in Asia, provide false information to Cook Islands financial institutions.

In June 2013, the Parliament of the Cook Islands passed the Captive Insurance Act 2013, which represents the government's ongoing efforts to diversify the economy by strengthening and promoting its financial services sector. The Cook Islands Financial Supervisory Commission will be responsible for licensing and overseeing compliance among captive insurance entities under the Act.

Costa Rica

Money Laundering and Financial Crimes

Transnational criminal organizations increasingly favor Costa Rica as a base to commit financial crimes, including money laundering. This trend raises serious concerns about the Costa Rican government's ability to prevent these organizations from infiltrating the country.

Proceeds from international cocaine trafficking represent a significant source of assets laundered in Costa Rica. Sizeable Costa Rica-based online gaming operations also launder millions of dollars in illicit proceeds through the country and offshore centers annually. Criminals launder other proceeds through Costa Rica from activities that include financial fraud, human trafficking, corruption, and contraband smuggling.

Criminal organizations use financial institutions, licensed and unlicensed money transfer businesses, bulk cash smuggling and the free trade zones to launder the proceeds of their illicit activities. Money services businesses are a significant risk for money laundering and a potential mechanism for terrorist financing. Trade-based money laundering, while used, is not detected with the same frequency as the above typologies. While there is no recent investigation related to terrorism financing, recent investigations in Costa Rica detected narcotics and arms trafficking linked to the Revolutionary Armed Forces of Colombia (FARC).

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: criminally: NO civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES
KYC covered entities: Banks, savings and loan cooperatives, pension funds, insurance companies and intermediaries, money exchangers, and money remitters; securities broker/dealers, credit issuers, sellers or redeemers of travelers checks and postal money orders; trust administrators and financial intermediaries; asset managers, real estate developers and agents; manufacturers, sellers and distributors of weapons; art, jewelry, and precious metals dealers; sellers of new and used vehicles; casinos, virtual casinos, and electronic or other gaming entities; lawyers and accountants

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not available

STR covered entities: Banks, savings and loan cooperatives, pension funds, insurance companies and intermediaries, money exchangers, and money remitters; securities

broker/dealers, credit issuers, sellers or redeemers of travelers checks and postal money orders; trust administrators and financial intermediaries; asset managers, real estate developers and agents; manufacturers, sellers and distributors of weapons; art, jewelry, and precious metals dealers; sellers of new and used vehicles; casinos, virtual casinos, and electronic or other gaming entities; lawyers and accountants

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO ***Other mechanism:*** YES

With other governments/jurisdictions: YES

Costa Rica is a member of the Financial Action Task Force on Money Laundering in South America (GAFISUD), a FATF-style regional body. Once published, its most recent mutual evaluation will be found at: <http://www.gafisud.info/eng-evaluaciones.php>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

While Costa Rica made substantial progress in enhancing its AML legal and regulatory frameworks, a recent case demonstrated that financial sector regulators failed to prevent a major money laundering scheme from openly operating in Costa Rica despite various red flags. In addition to these regulatory deficiencies, various other obstacles hinder Costa Rica's ability to effectively investigate and prosecute money laundering crimes. The underutilization of investigative tools—such as cooperating witnesses, confidential informants, electronic surveillance, and undercover operations—reduces the efficacy of investigators. Pursuant to Costa Rican law, money laundering cannot be charged as an additional offense to the predicate crime (e.g., a drug dealer who is convicted on drug charges cannot also be prosecuted for laundering the drug proceeds). This practice downplays the independent nature of the offense and greatly reduces the amount of potential money laundering prosecutions. The laws that govern corporations do not adequately provide for transparency, resulting in the extensive use of corporate structures to facilitate money laundering. In addition, criminal liability does not extend to corporate entities.

In 2013, the Public Ministry established a separate Money Laundering and Asset Forfeiture Bureau. Most money laundering investigations were previously handled by the Economic Crimes Bureau. Moreover, Costa Rica enacted a law to facilitate greater fiscal transparency through the international exchange of tax information.

Costa Rica enacted a non-conviction based asset forfeiture law in 2009. However, the government only successfully pursued one case under this law. In November 2013, the President submitted to the National Assembly a proposal to improve non-conviction based asset forfeiture. The legislation would allow forfeiture of illicit assets without the need for an underlying criminal conviction, which would be a significant improvement to the current law that would enhance Costa Rica's ability to dismantle criminal organizations.

Costa Rica has a tax information exchange agreement with the United States. Additionally, Costa Rica fully cooperates with appropriate U.S. law enforcement agencies investigating financial crimes related to narcotics and other crimes. In May 2013, Costa Rican authorities assisted U.S investigators in taking down an online money transfer business based in Costa Rica. The U.S. Department of Justice alleged that the operation laundered approximately \$6 billion and described the case as the largest money laundering prosecution in history.

Côte d'Ivoire

Following a civil war and a nine-year political/military crisis during which the country was effectively split in two, a new government was formed on May 6, 2011. Ivoirians continue to be involved in regional criminal activities, such as the smuggling of consumer goods and agricultural products, and in the subsequent laundering of the proceeds. Smuggling over Côte d'Ivoire's porous borders, motivated in part by a desire to avoid duties or taxes or to sell goods at a higher profit, generates illicit funds that are primarily laundered via informal value transfer systems, such as money service businesses or exchange houses, and via mobile telephone payments or transfers.

There are growing concerns about the increase in cybertheft through online commercial transactions. In addition, Ivoirian authorities believe criminal enterprises use the formal banking system, as well as the used car and real estate industries, to launder funds. Hezbollah is present in Cote d'Ivoire and conducts fund-raising activities, mostly among the large Lebanese expatriate community in the country. The potential use of Ivoirian territory as a transshipment point for drugs from South America to Europe concerns law enforcement officials.

Cote d'Ivoire remains under sanctions imposed by the UN Security Council stemming from the civil war and political/military crisis period. Those sanctions include an arms embargo and a ban on the importation of rough diamonds from Cote d'Ivoire. Additionally, several officials of the former regime are subject to targeted financial sanctions by the United States, the UK, and the EU. The government is working toward the goal of having the international sanctions lifted in 2014. The country was found Kimberly Process compliant in November 2013. It has completed major financial and economic reforms.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/i/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: **criminally:** YES **civilly:** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES

KYC covered entities: Banks, post offices, deposit and consignment offices, microfinance institutions, chartered manual exchangers, insurance and reinsurance companies and brokers, regional stock exchanges, the Central Depository of Holder Instruments/Bank of International Settlements, management and brokerage firms, asset management companies, undertakings for collective investment in transferable securities, and fixed capital investment companies

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 69 in 2013

Number of CTRs received and time frame: Not available

STR covered entities: Banks, exchange houses, stock brokerage firms, post offices, deposit and consignment offices, microfinance institutions, insurance and reinsurance companies and brokers, regional stock exchanges, the Central Depository of Holder Instruments/Bank of International Settlements, management and brokerage firms, asset management companies, undertakings for collective investment in transferable securities, fixed capital investment companies, the public treasury, the Central Bank of West African States, business contributors to financial institutions, auditors, dealers in high-value items, cash couriers, casinos, the national lottery, non-governmental organizations, travel agencies, attorneys, and real estate agents

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 2 in 2013

Convictions: 1 in 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other mechanism:*** YES

With other governments/jurisdictions: YES

Cote d'Ivoire is a member of the Inter Governmental Action Group against Money Laundering in West Africa (GIABA), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://web.giaba.org/reports/mutual-evaluation/Cote%20d'Ivoire.html>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The current Government of Cote d'Ivoire has demonstrated its commitment to continue building and implementing an effective AML/CFT regime. Efforts to fight money laundering and terrorism financing include: implementation of national legal provisions; AML/CFT-related capacity building of banks, insurance companies, notaries, judges, and lawyers; and the reinforcement of regional and international AML/CFT cooperation with countries such as France, Morocco, Ghana, Cape Verde, and Sierra Leone. Further, Cote d'Ivoire leads the network of financial intelligence unit (FIUs) within the West African Economic and Monetary Union (WAEMU) in an initiative to coordinate institutional reforms and to improve efforts to fight financial crime and terrorism financing.

The Government of Cote d'Ivoire has established an inter-ministerial committee to ensure AML/CFT cooperation and coordination at the national level, and has adopted the WAEMU uniform community law criminalizing money laundering. The implementation of the WAEMU community laws remains incomplete, however. The Appendix to Cote d'Ivoire's AML law relating to specific obligations of financial institutions regarding customers' financial operations has yet to be formally adopted. Insider trading and the manipulation of financial markets are not covered as predicate offenses to money laundering under Cote d'Ivoire's AML law, and the country does not yet have the legal or institutional structures necessary to implement its obligations under UNSCRs 1267 and 1373.

Cote d'Ivoire's banking sector caters largely to commercial enterprises rather than small account holders. Many Ivoirians use informal cash couriers, money and value transfer services (MVTs), hawaladars, and, increasingly, goods transportation companies to transfer funds domestically and within the region. There is no regulation of domestic MVTs. Cote d'Ivoire's FIU, the National Financial Information Processing Unit, can share information with other FIUs in the WAEMU, as well as with those of non-WAEMU countries on a reciprocal basis and with the permission of the Ministry of Economy and Finance.

The economic police are responsible for investigating financial and white collar crimes but have limited capacity as a result of inadequate resources and training. Since the end of the 2010-2011 post-electoral crisis, the government has reestablished civilian authority throughout the country, but judicial and security capability remains weak and allegations of corruption persist.

Cote d'Ivoire criminalizes terrorism financing through ordinance 2009-367 of November 12, 2009. This ordinance aims to deter terrorism financing by seizure or confiscation of funds and assets related to terrorism financing, and through the freezing of funds and other financial resources of terrorists. No cases of terrorism financing were reported for the past year. On June 18, 2013, a draft bill on the repression of terrorist activities was submitted to the Ivoirian Council of Ministers for approval, but it had not been approved as of late 2013. A new customs code under development by the Ministry of Finance is projected to include provisions related to money laundering and terrorism financing.

While significant progress has been made, the Government of Cote d'Ivoire should continue to strengthen its rule of law institutions, including its AML/CFT legal framework, and its law enforcement and judicial capacities. Specifically, the government should amend the AML law to cover all predicate offenses to money laundering included in the international standards, criminalize terrorist financing in line with international standards, finalize the necessary decree to implement Cote d'Ivoire's obligations under UNSCRs 1267 and 1373, and provide additional guidance and training to reporting entities and judges, such that financial crimes may be more easily and consistently detected, prosecuted, and punished.

Croatia

Croatia is not an offshore financial center. Croatian authorities consider most money laundering in the country to be of domestic origin, involving the proceeds of illegal domestic narcotics sales

and economic crimes, such as fraud and tax evasion. Although Croatia is part of a major transit route for drugs entering Europe, there is little evidence these networks have utilized Croatia's financial systems. Public corruption has been linked to money laundering, and numerous investigations are underway; however, direct links have yet to be proven.

Money laundering in Croatia occurs primarily through non-resident accounts, transfers to offshore banks using counterfeit documents, and deposits in foreign currency accounts; it also has often been linked to the real estate market and the purchase of high-end automobiles. Authorities have increased their efforts in the investigation of financial crimes. This trend reflects a greater push in the application of related legislation rather than an actual rise in such crimes.

There is no indication trade-based money laundering exists in Croatia. There is not a significant black market in Croatia. Croatia does not represent a sizeable market for smuggled goods, but is used as a transit route for goods destined for other countries in the region. Croatian authorities are concerned about the use of Croatia's ports and borders for the smuggling of black market goods. The Export Border Security Office is working to tighten controls and screening to prevent such smuggling.

Croatia has 13 operating free trade zones (FTZs) designed to attract investment, although these zones have lost many of their practical benefits since Croatia's accession to the EU. Companies operating in the zones may benefit from lower taxes and customs on certain non-EU trade. Companies operating in FTZs are subject to the same regulation and supervision as all other businesses in the country.

Croatia became a member of the European Union on July 1, 2013.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, loan brokers, and lending companies; savings banks and credit unions; companies that issue payment instruments, rent safe deposit boxes, or perform payment option services; the Croatian Post Office; investment fund and asset management companies; pension companies; companies authorized to do business with financial

instruments; insurance companies and intermediaries; issuers of electronic money; authorized exchange offices; all gaming-related providers; pawnshops; leasing firms; guarantors; dealers in precious metals, gems, artistic, or antique items; auctioneers; lawyers, notaries, auditors, accountants, and tax advisors

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 236: January – June 2013

Number of CTRs received and time frame: 25,988: January – June 2013

STR covered entities: Banks, loan brokers, and lending companies; savings banks and credit unions; companies that issue payment instruments, rent safe deposit boxes, or perform payment option services; the Croatian Post Office; investment fund and asset management companies; pension companies; companies authorized to do business with financial instruments; insurance companies and intermediaries; issuers of electronic money; authorized exchange offices; all gaming-related providers; pawnshops; leasing firms; guarantors; dealers in precious metals, gems, artistic, or antique items; auctioneers; lawyers, notaries, auditors, accountants, and tax advisors

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 1: January - June 2013

Convictions: 0: January - June 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** NO **Other mechanism:** YES

With other governments/jurisdictions: YES

Croatia is a member of the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body. Its most recent mutual evaluation can be found at:

http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Croatia_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In addition to the Law on Prevention of Money Laundering and Terrorist Financing, there are nine additional relevant regulations in force. Aside from cash, the laws also require covered entities to report all transactions involving gold, precious metals, and rare stones, as well as other types of monetary instruments and financial paper.

Through its regulatory authority, the Ministry of Finance requires financial institutions to use specialized software to facilitate compliance with related reporting requirements. The Anti-Money Laundering Department, Croatia's financial intelligence unit (FIU), oversees all non-bank financial institutions and designated non-financial businesses and professions. Most suspicious transaction reports (STRs) in Croatia are filed by banks.

Croatia's FIU is a signatory to bilateral agreements with 32 FIU counterparts and is also party to a number of bilateral agreements on law enforcement cooperation with its neighbors. Croatia

actively cooperates with its Balkan neighbors in the law enforcement arena and helped establish a regional working group to address money laundering.

The Government of Croatia has sufficient mechanisms in place and tools at its disposal to effectively combat money laundering and financial crimes; incidences of these activities remain rare. Although there is a lack of subject matter expertise in financial crime matters among the police and judiciary, the Law on Criminal Procedure affords both the police and judiciary access to financial experts for the purpose of pursuing such cases. In late 2013 there were several arrests and indictments of current and former high-ranking officials for financial crimes. Investigations into these cases continue.

Cuba

Cuba is not considered a regional financial center. Cuban financial practices and U.S. sanctions prevent Cuba's banking system from being fully integrated into the international financial system. The government-controlled banking sector, low internet and cell phone usage rates, lack of government and legal transparency, and threat of seizures related to the U.S. embargo all render Cuba an unattractive location for money laundering through financial institutions. The high degree of state ownership allows for little, and extremely regulated, private activity. There is a significant black market in Cuba that operates parallel to the heavily subsidized and rationed formal market controlled by the state.

Cuba's geographic location between drug-supplying and drug-consuming countries presents challenges for the authorities. Cuba has little foreign investment, a small international business presence, and no offshore casinos or internet gaming sites. Cuba's first special economic zone at the port of Mariel in northwestern Cuba was established in November 2013.

A majority of remittances from the United States reach Cuba via physical transport by relatives, friends, or even informal couriers, rather than through formal channels, such as bank transfers and Western Union. These funds are traded for Cuban pesos at government foreign exchange houses, as most dollar transactions are forbidden. Western Union disburses Cuban Convertible Pesos (CUC) to recipients on the island, saving customers the 10% fee for cash exchanges into CUC from dollars. This process, coupled with new regulations on remittances, likely has increased remittance flows well above the often-stated figure of \$2 billion.

The U.S. Government issued the Cuban Assets Control Regulations in 1963, under the Trading with the Enemy Act. The regulations impose restrictions on travel and remittances to Cuba and prohibit import of most products of Cuban origin and, with some exceptions, export of goods from the United States to Cuba. Additionally, a number of U.S.-based assets of the Cuban government or Cuban nationals are frozen.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT

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AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: Not available

Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: NO

KYC covered entities: Banks, money exchangers and remitters, financial management firms

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not available

STR covered entities: Banks, money exchangers and remitters, financial management firms

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** NO *Other mechanism:* NO

With other governments/jurisdictions: Not available

Cuba is a member of the Financial Action Task Force on Money Laundering in South America (GAFISUD), a FATF-style regional body. It has not yet been subject to a mutual evaluation, though this process is tentatively scheduled for late 2014.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Cuba does not identify money laundering as a major problem. Cuba made efforts to accommodate international trends and requirements through new legislation in 2013 that consolidates a series of rules, procedures, and regulations related to money laundering, terrorism financing, and illegal capital transactions. This legislation outlines the responsibility of banking officials concerning enforcement and introduces new regulations regarding enhanced customer due diligence of foreign politically exposed persons (PEPs). It also contains provisions to ensure financial institutions have a direct mandatory obligation to promptly file suspicious transaction reports (STRs) with the financial intelligence unit (FIU), and to freeze assets of persons listed under UNSCR 1373. The Government of Cuba claims to be in full compliance with international counterterrorism conventions and to take into account international standards. There are no known issues with or abuse of non-profit organizations, alternative remittance systems, offshore sectors, free trade zones, bearer shares, or other specific sectors or situations.

Cuba has bilateral agreements with a number of countries related to combating drug trafficking. It is unclear whether any of these agreements include mechanisms to share information related to financial crimes or money laundering.

The government continues a high profile campaign against corruption, investigating and prosecuting Cuban officials and foreign businesspeople. Cuba released no reports of prosecutions for money laundering in 2013; the last reported case occurred in August 2011.

The deficiencies in Cuba's AML/CFT program stem from inadequate legislation which ultimately affects implementation. Additionally, Cuba's secretive and opaque national banking system hampers efforts to monitor the effectiveness and progress of Cuba's AML/CFT efforts. In 2013, Cuba made a high-level political commitment to address all deficiencies, and is taking significant steps towards improving its AML/CFT regime.

Cuba should increase the transparency of its financial sector and continue to increase its engagement with the regional and international AML/CFT communities in order to expand its capacity to fight illegal activities. Cuba should continue its engagement with the FATF and fulfill its high-level political commitment with active implementation of an action plan to further assist it in drafting clearer, more robust legislation and implementing an AML/CFT regime that meets international standards. Cuba should criminalize money laundering in line with international standards, establish procedures to identify and freeze terrorist assets, ensure comprehensive customer due diligence measures and STR requirements, and create appropriate laws and procedures to enhance international cooperation and mutual legal assistance. Cuba also should increase the transparency of criminal investigations and prosecutions, and make its trials public.

Curacao

Curacao is an autonomous country within the Kingdom of the Netherlands that defers to the Kingdom in matters of defense, foreign affairs, final judicial review, human rights, and good governance. A governor appointed by the King represents the Kingdom on the island and a Minister Plenipotentiary represents Curacao in the Council of Ministers of the Kingdom of the Netherlands. Curacao is a regional financial center and a transshipment point for drugs from South America bound for the United States and Europe. Money laundering is primarily related to proceeds from illegal narcotics. Money laundering organizations can take advantage of banking secrecy, offshore banking and incorporation systems, two free trade zones (airport and harbor), an expansive shipping container terminal - the largest oil transshipment center in the Caribbean, and resort/casino complexes to place, layer, and launder drug proceeds. Money laundering can occur through real estate purchases and international tax shelters. Another possible area of money laundering activity may be through wire transfers and cash transport among the island, the Netherlands, and other former Netherlands Antilles constituents. Bulk cash smuggling is a continuing problem due to the close proximity of Curacao to South America.

The worldwide financial recession continues to slow economic activity in the free zones, although local merchants are confident the situation will improve. Curacao's active "e-zone"

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provides e-commerce investors a variety of tax saving opportunities and could be vulnerable to illegal activities.

Curacao's offshore financial sector consists of trust service companies providing financial and administrative services to an international clientele, including offshore companies, mutual funds, investment funds, and international finance companies. The exact size of this sector is not known, but it continues to decline in scale due to worldwide economic trends. Several international financial services companies relocated their businesses elsewhere because of damaging perceptions that the island is, or was, a tax haven. Curacao continues to sign tax information exchange agreements (TIEAs) and double taxation agreements with other jurisdictions to prevent tax fraud, financing of terrorism, and money laundering. The country periodically implements voluntary tax compliance programs; most recently, a one-year amnesty program took place in 2012-2013.

A Technology Exchange, CTEX, recently opened on Curacao. Several casinos and internet gaming companies operate on the island, although the number of internet gaming companies is declining.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/i/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES
KYC covered entities: Onshore and offshore banks, saving banks, money remitters, credit card companies, credit unions, life insurance companies and brokers, trust companies and other service providers, casinos, Customs, lawyers, notaries, accountants, tax advisors, jewelers, car dealers, real estate agents, and administration offices

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 3,764; January 1 – December 9, 2013

Number of CTRs received and time frame: 7,201: January 1 – December 9, 2013

STR covered entities: Domestic and international banks, saving banks, money remitters, credit card companies, credit unions, life insurance companies, insurance brokers, company and other service providers, casinos, Customs, lawyers, notaries, accountants, tax advisors, jewelers, car dealers, real estate agents, and administration offices

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0

Convictions: 0

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES *Other mechanism:* YES

With other governments/jurisdictions: YES

Curacao is a member of the Caribbean Financial Action Task Force (CFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: https://www.cfatf-gafic.org/index.php?option=com_docman&task=cat_view&gid=349&Itemid=418&lang=en

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Dutch Kingdom released its 2012 Threat Monitor Organized Crime (NDB), a quadrennial report on the nature and threat of organized crime within the Kingdom. The NDB establishes an integrated framework for tracking organized crime in the Caribbean region, and under the framework, government agencies are working more closely together, including through greater information sharing.

Curacao's Public Prosecutor's Office continues to investigate money laundering allegations against Robbie Dos Santos, a member of the board of the Curacao Lottery Foundation and a major lottery operator. The Government of Curacao's cooperation with the U.S. government led to the freezing of over \$30 million of Dos Santos' assets in the United States. Dos Santos is reputedly a major financer of the Curacao political party Movementu Futuro Korsou (MFK), and reportedly has business ties to the controversial owner of Atlantis World Group (owner of several casinos in Curacao and St. Maarten), Francesco Corallo. Former Prime Minister Gerrit Schotte (MFK), the first prime minister elected after the dissolution of the Netherlands Antilles in 2010, is also actively being investigated for money laundering and associated crimes.

Curacao utilizes an "unusual transaction" reporting system. Designated entities are required to file unusual transaction reports (UTRs) with the FIU on any transaction that appears unusual, applying a broader standard than "suspicious;" or when there is reason to believe a transaction is connected with money laundering or terrorism financing. The FIU investigates the UTR and determines if it should be classified as a suspicious transaction report (STR). There were 13,553 UTRs filed in 2013, as of December 9. The head of the FIU resigned, effective January 1, 2014. It will be important for Curacao to fill that vacancy as soon as possible to avoid any gaps in leadership, which may affect the effectiveness of the FIU.

Curacao should continue its regulation and supervision of the offshore sector and free trade zones, as well as its pursuit of money laundering investigations and prosecutions. Curacao should work to fully develop its capacity to investigate and prosecute money laundering and terrorism financing cases.

The mutual legal assistance treaty between the Kingdom of the Netherlands and the United States applies to Curacao. Additionally, Curacao has a TIEA with the United States.

Curacao is part of the Kingdom of the Netherlands and cannot sign or ratify international conventions in its own right. Rather, the Netherlands may arrange for the ratification of any convention to be extended to Curacao. The 1988 Drug Convention was extended to Curacao in March 1999. The International Convention for the Suppression of the Financing of Terrorism was extended to the Netherlands Antilles in 2010 and, as successor, to Curacao. The UN Convention against Transnational Organized Crime and the UN Convention against Corruption have not been extended to Curacao.

Cyprus

Since 1974, Cyprus has been divided between a government-controlled area, comprising the southern two-thirds of the island, and a northern third administered by Turkish Cypriots. The Republic of Cyprus government is the only internationally recognized authority; in practice, it does not exercise effective control over the administered area that the Turkish Cypriots declared independent in 1983. The United States does not recognize the “Turkish Republic of Northern Cyprus,” nor does any country other than Turkey.

Cyprus has worked to position itself as a regional financial center, and until the financial crisis of 2013, had a robust financial services industry and a significant number of nonresident businesses. A number of factors contributed to Cyprus’ rise as a regional business hub: its preferential tax regime; double tax treaties with 50 countries, including the United States, several European nations, and former Soviet republics; well-developed and modern legal, accounting, and banking systems; a sophisticated telecommunications infrastructure; and EU membership. As of December 2013, there were about 325,000 companies registered in Cyprus, many of which belong to non-residents. All companies registered in Cyprus must disclose their ultimate beneficial owners to the authorities.

Experts agree that the biggest vulnerability for money laundering in Cyprus is primarily from international criminal networks that use Cyprus as an intermediary. Examples of specific domestic threats include advance fee fraud, counterfeit pharmaceuticals, and transferring illicit proceeds from identity theft. Traditionally, there has been no significant black market for smuggled goods in Cyprus. Police and customs officials report that what little black market trade exists is usually related to small-scale transactions, typically involving fake clothing, pirated CDs/DVDs, and cigarettes moved across the UN-patrolled buffer zone dividing the island.

The Association of Cyprus Banks publicly reported in December that there was an estimated fourfold increase in currency circulation, to \$1.1 billion (€ 800 million), for the month of November 2013 compared to the same period in 2012. Experts attribute the increased dependency on cash-based transactions to low public confidence in the banking sector.

Cyprus has two free trade zones (FTZs) located in the main seaports of Limassol and Larnaca, which are used for transit trade. These areas enjoy a special status and are considered to be outside normal EU customs territory. Consequently, non-EU goods placed in FTZs are not subject to any import duties, value added tax, or excise tax. FTZs are governed under the

provisions of relevant EU and domestic legislation. The Ministry of Finance Department of Customs has jurisdiction over both areas and can impose restrictions or prohibitions on certain activities, depending on the nature of the goods.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes approach

Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES

KYC covered entities: Banks, cooperative credit institutions, securities and insurance firms, money transfer businesses, payment and electronic money institutions, trust and company service providers, auditors, tax advisors, accountants, real estate agents, dealers in precious stones and gems, and attorneys

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 610 in 2012

Number of CTRs received and time frame: Not available

STR covered entities: Banking institutions, cooperative credit institutions, and securities and insurance firms; payment institutions, including money transfer businesses and e-money institutions; trust and company service providers; auditors, tax advisors, accountants, and real estate agents; dealers in precious stones and gems; attorneys; and any person who in the course of his profession, business, or employment knows or reasonably suspects that another person is engaged in money laundering or terrorist financing activities

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 68 in 2012

Convictions: 17 in 2012

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES ***Other mechanism:*** YES

With other governments/jurisdictions: YES

Cyprus is a member of the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style

regional body. Its most recent mutual evaluation report can be found at:
http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Cyprus_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The financial crisis in March 2013, and Cyprus' subsequent agreement with the Troika (the European Commission, European Central Bank, and IMF) led to efforts to further enhance legislation and systems for identifying, tracing, freezing, seizing, and forfeiting narcotics-related assets and assets derived from other serious crimes. In spite of the changes, Cyprus has no provisions allowing non-conviction-based forfeiture of assets. Cyprus has engaged in bilateral and multilateral negotiations with other governments to enhance its asset tracking and seizure system.

In December 2013, the government passed several amendments upgrading its existing AML legal framework within the context of its request for bailout assistance from the EU. The changes clarify the nature of information subject to exchange with foreign tax authorities; enhance the ability of the FIU to cooperate with foreign authorities; provide increased jail sentences for tax evaders; and address deficiencies in the existing framework for regulating and supervising lawyers, accountants, and trustees.

In April 2013, the Troika requested MONEYVAL conduct a special assessment of the effectiveness of customer due diligence measures in Cyprus' banking sector. As a result of the review, the Central Bank of Cyprus (CBC) agreed to implement closer supervision of banks' risk classification and suspicious transaction reporting practices. Other improvements to the AML/CFT regime include a June 2013 decision by the Securities and Exchange Commission to establish a dedicated, three-member oversight team to conduct more frequent on-site visits to the investment firms it regulates. In September 2013, the government passed amendments extending coverage of enhanced due diligence procedures to domestic politically exposed persons (PEPs), clarifying language on simplified due diligence rules, and introducing stricter provisions concerning the responsibility of compliance officers.

Area Administered by Turkish Cypriots

The Turkish Cypriot-administered area ("Administered Area") lacks the legal and institutional framework necessary to provide effective protection against the risks of money laundering. While significant progress has been made in recent years with the passage of "laws" better regulating the onshore and offshore banking sectors and casinos, these "statutes" are not sufficiently enforced to prevent money laundering. There are currently 22 banks in the Administered Area, seven of which are branches of Turkish and other international banks. Internet banking is also available.

The offshore banking sector remains a concern to law enforcement. It consists of eight banks regulated by the "Central Bank" and 90 companies regulated by the "Ministry of the Economy." Offshore banks are not authorized to conduct business with residents of the Administered Area and may not deal in cash. Only banks licensed by Organization for Economic Co-operation and

Development-member nations or Turkey are authorized to operate an offshore branch in the Administered Area.

There are press reports of smuggling of tobacco and alcohol taking place near or through the Famagusta port. “Police” reports also indicate there has been smuggling of meat and fresh produce across the buffer zone. Additionally, IPR violations are a concern; a legislative framework is lacking; and pirated materials, such as sunglasses, clothing, shoes, and DVDs/CDs are freely available for sale.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** NO ***Domestic:*** NO

KYC covered entities: Banks, cooperative credit societies, finance companies, leasing/factoring companies, portfolio management firms, investment firms, jewelers, foreign exchange bureaus, real estate agents, retailers of games of chance, lottery authority, accountants, insurance firms, cargo firms, antique dealers, auto dealers, and lawyers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 272 in 2012

Number of CTRs received and time frame: Not available

STR covered entities: Banks, cooperative credit societies, finance companies, leasing/factoring companies, portfolio management firms, investment firms, jewelers, foreign exchange bureaus, real estate agents, retailers of games of chance, lottery authority, accountants, insurance firms, cargo firms, antique dealers, auto dealers, and lawyers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2012

Convictions: 0 in 2012

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other mechanism:*** NO

With other governments/jurisdictions: YES

The area administered by Turkish Cypriots is not part of any FSRB and thus is not subject to normal peer evaluations.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Despite the 2009 promulgation of stricter “laws,” the 26 operating casinos - three in Nicosia, four in Famagusta, three in Iskele, and 16 in Kyrenia - remain essentially unregulated because of shortfalls in available enforcement and investigative resources.

Banks and other designated entities must submit STRs to the “FIU.” The “FIU” then forwards STRs to the five-member “Anti-Money Laundering Committee,” which decides whether to refer suspicious cases to the “attorney general’s office,” and then if necessary, to the “police” for further investigation. The five-member committee is composed of representatives of the “Ministry of Economy,” “Money and Exchange Bureau,” “Central Bank,” “police,” and “customs.”

The EU provides technical assistance to the Turkish Cypriots to combat money laundering more effectively. The EU continues to provide assistance in light of the area’s money laundering and terrorist finance risks.

The resources dedicated to enforcing the Administered Area’s “AML Law” fall short of the present need. Experts agree the ongoing shortage of law enforcement resources and expertise leave the casino and gaming/entertainment sector essentially unregulated, and, therefore, especially vulnerable to money laundering abuse. The unregulated money lenders and currency exchange houses are also areas of concern for “law enforcement.”

Turkish Cypriots intend to pass new AML “legislation” in 2014 that will take into account UNSCRs 1267 and 1373 as well as cover casinos and exchange houses. Turkish Cypriots report that technical assistance from international experts was critical in preparing the draft “legislation.”

The Turkish Cypriot authorities should continue their efforts to strengthen the “FIU,” and more fully resource and implement a strong licensing and regulatory environment to prevent money laundering and the financing of terrorism. This is particularly true for casinos and money exchange houses. Turkish Cypriot authorities should stringently enforce the cross-border currency declaration requirements and take steps to enhance the expertise of members of the enforcement, regulatory, and financial communities with an objective of better regulatory guidance, more efficient STR reporting, better analysis of reports, and enhanced use of legal tools available for prosecution.

Czech Republic

The Czech Republic has a mid-sized, export-oriented economy. The country’s central location in Europe and openness as a market economy leave it vulnerable to money laundering. Fraud and tax evasion, especially related to the value added tax (VAT) and consumption tax, are reportedly the primary sources of laundered assets in the country. A common tactic for hiding the origin of illicit proceeds is to transfer or layer funds among multiple companies, creating a system of “carousel trading,” whereby fictitious invoices, wages, and benefit payments are created. The ultimate goal of the carousel system is to benefit from an unauthorized VAT allowance. Commodities frequently misused for tax evasion include diesel and fuel oils, gas, and gold. Alcoholic beverages are typically exploited in consumption tax fraud schemes. Online

consumer fraud is another source of illicit funds, with perpetrators targeting customers interested in buying electronic goods, such as computers, cell phones, and audio-video equipment. The Czech police have recently reported fraud related to the bitcoin virtual currency.

Domestic and foreign organized criminal groups target Czech financial institutions for laundering activity, most commonly by means of financial transfers. Illicit proceeds from narcotics, trafficking in persons, or smuggling counterfeit goods are often associated with foreign groups, particularly from the former Soviet republics, the Balkans region, and Asia. Proceeds from fraud and tax evasion are typically laundered by specialized groups from various EU states and the Middle East, using the services of local lawyers and tax advisors who specialize in trading with shell companies and creating offshore structures, allowing for fund transfers under the umbrella of tax optimization. According to the Czech police, development and investment companies, real estate agencies, currency exchange offices, casinos, and other gaming establishments have all been used to launder criminal proceeds.

While authorities have made substantial progress in combatting counterfeits in physical markets, the Czech Republic has not completely eliminated the black market for smuggled cigarettes and other tobacco products, as well as pirated products from Asia, including CDs, DVDs, and counterfeit designer goods. The Czech Customs Administration has found that Asian criminal groups use a portion of the illegal funds from contraband smuggling for the purchase of real properties, which they then use for business activities. There are 11 free trade zones operating in the Czech Republic, but Czech authorities do not consider them to be vulnerable to money laundering.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/i/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.; NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach
Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs; Foreign; YES Domestic; NO

KYC covered entities: Banks, currency exchanges, insurance companies, and postal license holders; securities dealers and exchanges; gaming enterprises; attorneys, trusts, and company service providers; realtors, notaries, accountants, tax advisors, and auditors; pawnshops and dealers of precious metals and stones and of secondhand goods, including vehicles

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 2,175: January 1 - October 31, 2013

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Number of CTRs received and time frame: Not applicable

STR covered entities: Banks, currency exchanges, insurance companies, and postal license holders; securities dealers and exchanges; gaming enterprises; attorneys, trusts, and company service providers; realtors, notaries, accountants, tax advisors, and auditors; pawnshops and dealers of precious metals and stones and of secondhand goods, including vehicles

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 8: January 1 - June 30, 2013

Convictions: 22: January 1 - June 30, 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES **Other mechanism:** YES

With other governments/jurisdictions: YES

The Czech Republic is a member of the Council of Europe Select Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Czech_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Two aspects of the Czech legal framework continue to constrain efforts to prosecute money laundering. First, prosecutors must prove that the accused also committed a predicate offense resulting in the laundering of assets. Second, a court can only sentence an individual to prison for one crime, even if several crimes were committed. Convictions for predicate offenses generally result in prison sentences at least as long as those for money laundering, so prosecutors have little motivation to pursue money laundering convictions. Nevertheless, the Czech police report the situation is improving as some prosecutors have expressed willingness to prosecute both the predicate offense and the money laundering in one procedure. Prosecutors initiated 459 criminal investigations in 2012, which resulted in approximately \$266.7 million in frozen assets. Approximately \$14.5 million was ultimately forfeited.

After numerous failed attempts in the past to address anonymous bearer shares, Parliament voted unanimously in May 2013 to require Czech companies issuing bearer shares to register their shares with the Central Securities Depository of the Prague Stock Exchange; to have the shares held in a legal entity's safe deposit box; or to convert the shares into registered stocks. The legislation will close a significant loophole reportedly used to disguise conflicts of interest in public contracts and money laundering schemes. The legislation enters into effect on January 1, 2014. Approximately 13,000 joint stock companies are owned via bearer shares. Law enforcement personnel acknowledge companies are already searching for other ways to obscure true ownership.

There is weak AML regulatory oversight of the gaming industry. The Czech gaming industry is represented by a powerful lobby that has succeeded in blocking many proposed regulations. Casinos file a relatively small number of STRs. Other gaming entities, including bars and restaurants with electronic games and slot machines, are not subject to the Anti-Money

Laundering Act (AMLA) requirements, even though the concentration of such machines is relatively high compared to other EU member states. Without robust oversight and the applicability of the AMLA to all gaming establishments, the potential exists for money laundering to become more significant in the gaming sector. The Ministry of Finance's Financial Analytical Unit has stated the Government of the Czech Republic will amend the AMLA following European Commission actions regarding gaming restrictions.

The Czech Republic became a party to the UN Convention against Transnational Organized Crime on September 24, 2013, and to the UN Convention against Corruption on November 29, 2013.

Denmark

Denmark is not a major financial center and does not have a serious problem in the area of financial crimes. Money laundering activity is generally derived from foreign criminal activity and is primarily related to the sale of illegal narcotics, specifically cocaine, heroin, and amphetamines. Immigrant gangs as well as outlaw motorcycle gangs have been involved in a range of offenses, including narcotics-related offenses, smuggling of goods, and various financial crimes. There are no indications of trade-based money laundering as it relates to drug trafficking in Denmark, and public corruption is virtually non-existent. Denmark is geographically vulnerable to serving as a transit country for smuggling into Sweden and Norway.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES

KYC covered entities: Banks, electronic money institutions, and currency exchanges; insurance brokers and intermediaries; pension and mutual funds; securities brokers and dealers; portfolio, asset, and capital managers; financial leasing and factoring entities; issuers and processors of credit cards, traveler's checks, and money orders; accountants and auditors; real estate agents; trust and company service providers; attorneys; real estate agents; and casinos

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 4,511 in 2012

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks, electronic money institutions, and currency exchanges; insurance brokers and intermediaries; pension and mutual funds; securities brokers and dealers; portfolio, asset, and capital managers; financial leasing and factoring entities; issuers and processors of credit cards, traveler's checks, and money orders; accountants and auditors; real estate agents; trust and company service providers; attorneys; real estate agents; and casinos

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO **Other mechanism:** YES

With other governments/jurisdictions: YES

Denmark is a member of the FATF. Its most recent mutual evaluation can be found at:

<http://www.fatf-gafi.org/countries/d-i/denmark/>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Denmark has a comprehensive AML/CFT regime and has been cooperative with the United States in drug money laundering investigations. Denmark and the United States have a Customs Mutual Assistance Agreement which facilitates information sharing between the customs administrations of the two countries. Denmark should continue to enhance its laws and regulations as necessary to adhere to international standards, including extending its AML/CFT requirements to cover gaming establishments and internet gaming providers.

Djibouti

Djibouti is one of the most stable countries in the Horn of Africa. It is a minor financial hub in the region, thanks to its U.S. dollar-pegged currency and lack of foreign exchange controls.

Djibouti's GDP continues to grow by over four percent a year due to a surge in foreign investment inflows – primarily from the countries of the Gulf Cooperation Council and China – in the port, construction, and tourism sectors. Smuggled goods consist primarily of highly-taxed cigarettes and alcohol. In addition, recent decreases to the qat import quota have resulted in increases in qat smuggling. Due to Djibouti's strategic location in the Horn of Africa and its cultural and historical trading ties, Djibouti-based traders and brokers are active in the region. Djibouti's proximity to neighboring Somalia is a risk factor, as many Djibouti-based financial institutions have operations in Somalia, a jurisdiction which has no AML/CFT legislation or other controls. There also are allegations of Djibouti-based financial facilitation on behalf of Somali terrorist group al-Shabaab, and laundering of piracy ransom payments in Djibouti's financial system.

Djibouti hosts no offshore banks, although its banking laws explicitly permit offshore institutions. The number of locally operating banks has increased from two to 11 in the past

eight years. Hawala and other money/value transfer services are prevalent in the region, and informal markets for goods are sometimes used for counter valuation.

There are currently two free zones administered by the Djibouti Ports and Free Zone Authority (DPFZA), a public independent organization. The chief executive officer of DPFZA reports directly to the Office of the President. One free zone is located at the “old” port. The other, Djibouti Free Zone (DFZ), is located on 40 hectares and offers office space, warehouses, light industrial units, and hangars. Jebel Ali Free Zone, based in Dubai, manages the commercial and operational aspects of the DFZ. The purpose of both free zones is to promote foreign investment in Djibouti with the goal of making Djibouti the gateway to regional and East African markets. They are essentially a “one-stop shop” for companies looking to do business in the Djiboutian market. There are plans to build two additional free zones in the coming years.

For additional information focusing on terrorist financing, please refer to the Department of State’s Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach
Are legal persons covered: criminally: YES civilly: NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: NO Domestic: NO
KYC covered entities: Credit establishments, financial and investment intermediaries and advisors, banks, money transfer agents, money changers, casinos, notaries, and attorneys

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available
Number of CTRs received and time frame: Not available
STR covered entities: Credit establishments, financial and investment advisors and intermediaries, banks, money transfer agents, money changers, casinos, notaries, and attorneys

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2013

Convictions: 0 in 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO Other mechanism: NO
With other governments/jurisdictions: YES

Djibouti is not a member of a FATF-style regional body (FSRB).

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Djibouti recognizes its growing banking sector is a vulnerable area that requires monitoring by the Central Bank's Fraud Investigation Unit (FIU), Djibouti's financial intelligence unit. Although the government enacted its AML law in 2002, enforcement of the law continues to be a challenge. The FIU is not operationally independent from the Central Bank and does not appear to be carrying out the core FIU functions of receiving, analyzing, and disseminating suspicious transaction reports (STRs). Djibouti makes an effort to control all formal transaction points. Informal remittance and value transfer systems are not monitored. Greater resources and independence would improve the oversight capabilities of the Central Bank and the FIU. Because of its free zones, an increasing number of banks, and the introduction of bank-free cash transfers via mobile phones, additional training and resources for the FIU continue to be critical needs. Severe resource limitations constrain the FIU's ability to carry out its investigative and supervisory functions, as well as its ability to collect and analyze basic financial intelligence. Djibouti's FIU has yet to forward a case for prosecution. At the regional level, the FIU works in collaboration with FIUs from member states of the Intergovernmental Authority on Development.

Law no. 112/AN/11/6ème describes the process for reporting large transactions. When a transaction involves an amount exceeding 1,000,000DJF (approximately \$5,500) or is carried out under unusual/suspicious conditions, the financial institution must submit a written report detailing the origin and destination of the funds as well as the purpose of the transaction and the individuals or entities involved. The FIU tracks large currency transactions only if there is an accompanying STR.

The lack of coordination among divergent law enforcement authorities, especially security agencies, impedes investigations and adds to an environment in which it is difficult to staff in-depth investigations. Law enforcement expertise in financial investigations and targeting financial crimes is minimal. Djiboutian magistrates and judges also lack both experience and expertise in prosecuting and hearing cases involving financial crimes. The Ministry of Justice examines each predicate offense and seldom considers links to money laundering or terrorism financing unless currency is directly involved.

Djibouti will need to work to apply its AML/CFT regime in all current and planned free zones, and to all professionals involved in financial matters. Law enforcement should not wait for a money laundering or terrorism financing referral from the FIU, but rather should investigate financial crimes at the street level and in the ports. The Government of Djibouti should continue to focus on improving customs controls on cross-border currency movements, especially at land borders.

Enacted in 2011, law no. 11/AN/11/6ème describes the need to monitor and control the cross-border transportation of currency in order to ensure the currency is not utilized for terrorism financing. The law requires any movement of 1,000,000DJF (approximately \$5,500) or more to be declared and justified at the border checkpoint. The border authorities must determine the

origin and final destination of the funds prior to allowing the transport of the funds across the border. If the border authorities suspect terrorism financing or false declarations, they must notify the FIU and prohibit the movement of the funds.

The Government of Djibouti should enhance its record-keeping requirements, make known the number of financial intelligence reports received, and create regulatory and law enforcement benchmarks so as to measure progress in its AML/CFT regime. It should continue to pursue observer status and, ultimately, full membership in an appropriate FSRB.

Dominica

Dominica is a key offshore center with a considerable international business company (IBC) presence and internet gaming. In 2012, money laundering cases involved external proceeds from fraudulent investment schemes, advance fee fraud schemes, and the placement of euros related to questionable activities conducted in surrounding jurisdictions. Domestic money laundering is chiefly linked to narcotics activities.

Dominica has three internet gaming companies, three offshore banks, and over 16,000 IBCs. Bearer shares are permitted, but beneficiaries of the bearer shares must be disclosed to financial institutions as part of the institutions' know-your-customer programs.

Under Dominica's economic citizenship program, individuals can obtain citizenship for approximately \$100,000 for an individual and \$200,000 for a family of up to four persons. There is no residency requirement and passport holders may travel to most Commonwealth countries without a visa. An application for economic citizenship must be made through a government-approved local agent and requires a fee for due diligence or background check purposes. An in-person interview also is required.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES

KYC covered entities: Banks, venture risk capital, money transmission services, money exchangers and brokers, traders in foreign exchange, money lenders and pawn shops, mutual funds, credit unions, building societies, trust businesses, insurance businesses, securities

exchange and brokers, real estate, car dealerships, casinos, courier services, jewelry businesses, internet gaming and wagering, management companies, asset management and advice services, custodial services, nominee service, registered agents, telecommunications companies, and utility companies

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 128: January 1 – November 10, 2013

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks, venture risk capital, money transmission services, money brokers, traders in foreign exchange, money lenders and pawn shops, money exchanges, mutual funds, credit unions, building societies, trust businesses, insurance businesses, securities exchange, real estate, car dealerships, casinos, courier services, jewelry businesses, internet gaming and wagering, management companies, asset management and advice services, custodial services, nominee service, registered agents, securities brokerage, telecommunications companies, and utility companies

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 6 in 2013

Convictions: 0 in 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES ***Other mechanism:*** YES

With other governments/jurisdictions: YES

Dominica is a member of the Caribbean Financial Action Task Force (CFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: https://www.cfatf-gafic.org/index.php?option=com_docman&task=cat_view&gid=348&Itemid=418&lang=en

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In May 2013, the Parliament of the Commonwealth of Dominica enacted, and the president assented to, an array of legislative amendments and one new act to strengthen the AML/CFT regime and establish new law enforcement practices.

The Money Laundering Prevention (Amendment) Act of 2013 enhances current money laundering legislation by making new provisions for currency reporting and strengthening the use of guidance notes. The Proceeds of Crime (Amendment) Act No. 7 makes Dominica the first country in the Eastern Caribbean to pass a comprehensive civil asset recovery law with a dedicated forfeiture fund. This act gives the government the power to apply to the High Court for seizures of illicitly obtained property and the power to seize illicit cash through the lower Magistrates Court. The Suppression of the Financings of Terrorism Act was updated in 2013 to establish an advisory committee for the general oversight of the CFT policy and to provide authorities with specific responsibilities, such as maintaining a list of persons, entities, and associates designated as terrorists by the UN Security Council.

In 2013, 17 people were charged in six money laundering cases, two of which related to the proceeds of crime. While there were no convictions, there are cases pending in the Magistrate and High Courts.

Additionally, The Financial Services Unit (Amendment) Act establishes the Financial Services Unit as the money laundering supervisory authority, and the 2013 amendment to the Transnational Organized Crime Act puts into effect the UN Convention against Transnational Organized Crime and strengthens regulations to prevent, suppress, and punish human trafficking. Dominica became a party to the UN Convention against Transnational Organized Crime on May 17, 2013.

Dominican Republic

The Dominican Republic (DR) is not a major regional financial center, despite having one of the largest economies in the Caribbean. The DR continues to be a major transit point for the transshipment of illicit narcotics destined for the United States and Europe. The six international airports, 16 seaports, and a large porous frontier with Haiti present Dominican authorities with serious challenges.

Corruption within the government and the private sector, the presence of international illicit trafficking cartels, a large informal economy, and a fragile formal economy make the DR vulnerable to money laundering and terrorism financing threats. The large informal economy is a significant market for illicit or smuggled goods. The under-invoicing of imports and exports by Dominican businesses is a relatively common practice for those seeking to avoid taxes and customs fees, though the government is making efforts to sanction violators with fines. The major sources of laundered proceeds stem from illicit trafficking activities, tax evasion, and fraudulent financial activities, particularly transactions with forged credit cards. U.S. law enforcement has identified networks smuggling weapons into the DR from the United States. Car dealerships, casinos, tourism agencies, and construction companies contribute to money laundering activities in the DR.

There are no reported hawala or other money or value transfer services operating in the DR. A significant number of remittances are transferred through banks. Casinos are legal in the DR, and unsupervised gaming activity represents a significant money laundering risk. While the country has a law creating an international financial zone, implementing regulations will not be issued until the law is reformed to avoid perceptions the zone will be left out of the DR's AML regulatory regime.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES
KYC covered entities: Banks, currency exchange houses, securities brokers, and redeemers of checks or other types of negotiable instruments; issuers, sellers, and redeemers of traveler's checks or money orders; credit and debit card companies; remittance companies and offshore financial service providers; casinos; real estate agents; automobile dealerships; insurance companies; and dealers in firearms and precious metals

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 6,189: January 1 - November 6, 2013
Number of CTRs received and time frame: 716,658: January 1 - November 6, 2013
STR covered entities: Banks, agricultural credit institutions, money exchangers, notaries, gaming centers, securities dealers, art or antiquity dealers, jewelers and precious metals vendors, attorneys, financial management firms, and travel agencies

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 9 in 2013
Convictions: 4 in 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO **Other mechanism:** YES
With other governments/jurisdictions: YES

The Dominican Republic is a member of the Caribbean Financial Action Task Force (CFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at:

https://www.cfatf-gafic.org/index.php?option=com_docman&task=cat_view&gid=347&Itemid=418&lang=en

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Egmont Group of Financial Intelligence Units (FIU) expelled the DR's FIU in 2006, due to a lack of compliance with the definition of an FIU. The Egmont Group specified the formal steps the DR needs to take to reapply for membership, thereby allowing the FIU to efficiently and securely share and exchange sensitive financial information with foreign counterpart FIUs. The function of the FIU improved, but problems remain. Specifically, the creation of an additional FIU-like organization to regulate international financial zones, as stipulated under Law 480/08, is in contravention of Egmont Group rules. The DR should modify Law 480/08 to eliminate the possibility of a second FIU, and reapply for membership in the Egmont Group. A bill to amend Law 480/08 to make it compliant with Egmont Group rules is currently pending before Congress.

The DR does have a mechanism (Law 72-02) for the sharing and requesting of information related to money laundering and terrorism. However, that mechanism is not in force due to the exclusion of the DR from the Egmont Group.

The DR strengthened its laws on politically exposed persons (PEPs) and correspondent relationships, but weaknesses persist. In addition, the DR should pass legislation to provide safe harbor protection for suspicious transaction report (STR) filers and criminalize tipping off. The government should better regulate casinos and non-bank businesses and professions, specifically real estate companies, and strengthen regulations for financial cooperatives and insurance companies.

The DR's weak asset forfeiture regime is improving, but does not cover confiscation of instrumentalities intended for use in the commission of a money laundering offense; property of corresponding value; and income, profits, or other benefits from the proceeds of crime. The DR should implement legislation to align its asset forfeiture regime with international standards.

Ecuador

Ecuador is a major drug transit country. With a dollarized economy and geographic location between two major drug producing countries, Ecuador is highly vulnerable to money laundering. Corruption is a significant problem in Ecuador and facilitates money laundering. There is no reliable way to judge the magnitude of money laundering activity in the country because only major banks have active money laundering controls and a large number of transactions take place through loosely-regulated money exchange and remittance companies. There is evidence that money laundering occurs through trade and commercial activity, as well as through cash couriers. Large amounts of unexplained currency entering and leaving Ecuador indicate that transit of illicit cash is a significant activity. Deficient financial supervision is an additional vulnerability for money laundering. The Government of Ecuador closed all gambling outlets in 2012, citing money laundering concerns, among others.

Ecuador first appeared on the FATF's Public Statement in June 2012. The FATF stated Ecuador was not making sufficient progress in addressing strategic AML/CFT deficiencies. FATF's October 18, 2013 Public Statement acknowledges Ecuador's steps to improve its AML/CFT regime, including the fact the National Assembly passed portions of its new penal code dealing with AML/CFT issues on the eve of the FATF plenary, although the legislation was not signed into law by the president. The FATF also noted that strategic AML/CFT deficiencies remain, including the need for adequate procedures for the confiscation of funds related to money laundering, adequate criminalization of terrorism financing, procedures for freezing terrorist assets, and enhanced coordination of financial sector supervision.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN

THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach
Are legal persons covered: **criminally:** NO **civilly:** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: **Foreign:** NO **Domestic:** NO

KYC covered entities: Savings banks, offshore banks, foreign and domestic private banks, credit information offices, money exchangers, credit unions, foreign branches of financial institutions, mutual companies, public financial institutions, offices representing foreign banks, financial corporations and groups, credit cards, insurance providers (including private insurance), cooperatives, trust and fund managers, money transfer companies and parallel couriers, and brokerages

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 20 in 2012

Number of CTRs received and time frame: 32,764,737: January - June 2012

STR covered entities: Banks, and savings and credit institutions; investment companies, stock exchanges, and mutual funds; exchange houses; credit card administrators; money transmitters; mortgage companies; insurance and reinsurance companies; trusts; fund managers; sellers of vehicles, aircraft, and watercraft; brokerages; couriers; real estate agents; and dealers of precious metals and stones

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** YES **Other mechanism:** NO

With other governments/jurisdictions: YES

Ecuador is a member of the Financial Action Task Force on Money Laundering in South America (GAFISUD), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.gafisud.info/eng-evaluaciones.php>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Key deficiencies in Ecuador's AML/CFT regime remain despite the enactment of the December 2010 money laundering law (Law 2010-352). The law includes language that complicates seizures of illicit funds by explicitly placing an undue burden of proof on the government to prove the illicit origin of funds in money laundering or smuggled cash cases, making criminal convictions very difficult. Ecuador does not have specific asset forfeiture legislation for money laundering violations, complicating not only seizures, but also investigations and arrests, as police can rarely complete an investigation in the limited time allowed by law. Another

challenge is current law only addresses cash/currency, omitting the smuggling of other financial instruments (bearer bonds, cashier's checks, debit cards, gold, etc.).

Law 2010-352 includes provisions that seek to criminalize terrorism financing by creating a stand-alone offense for the financing of certain crimes listed in the Penal Code. A 2012 law adds a new article to the penal code to criminalize the financing of any act listed in the penal code's section under "Crimes of Sabotage and Terrorism;" however, the law does not contain an explicit reference to "terrorism financing," does not define "funds" or "assets," does not appear to cover attempts to commit the offense, and appears to require a connection to a specific act of terrorism.

Ecuador lacks adequate procedures for the freezing of assets in accordance with relevant UNSCRs, and has a lengthy criminal process for confiscating terrorists' assets. The government's draft penal code amendments, if enacted as passed by the National Assembly in October 2013, would address most of these deficiencies. The new penal code will likely specifically criminalize terrorism financing.

Ecuador issued additional resolutions in 2013 to increase oversight of financial institutions, insurance companies, money transfer companies, and stock exchanges. The resolutions go into detail regarding AML compliance units within institutions and the measures entities must enact in order to monitor for money laundering and financial crime. The Superintendency of Banks and the Superintendency of Companies also perform inspections and audits, which resulted in the imposition of penalties on a range of entities for noncompliance. It is not clear if examinations performed by the Superintendency of Companies address the financing of terrorism or solely AML issues.

In 2013, Ecuador demonstrated a commitment to combat financial crimes. The government should take all necessary steps to comply fully with international AML/CFT standards to which it formally commits through its membership in the UN, the OAS, and GAFISUD. Ecuador should work to enact the AML/CFT provisions contained in the penal code reform package. These reforms would help ensure that its AML/CFT legislation and implementing regime adhere to international standards, particularly with regard to criminalization of the financing of terrorism, and the ease with which assets linked to illegitimate sources can be confiscated. Importantly, even if Ecuador enacts the new criminal code as currently envisioned, it will still be difficult to secure money laundering convictions unless there is a corresponding conviction for a predicate crime. The government should harmonize its legislation to eliminate conflicts that hinder successful money laundering investigations and prosecutions. Ecuador should ensure the Financial Analysis Unit, its financial intelligence unit, is fully functional and meets international standards, and should also ensure reporting requirements – covering an expanded group of obligated parties – are enforced. The government should make a dedicated effort to train judges, prosecutors, and investigators so they understand the country's applicable AML/CFT legislation and regulations.

Egypt

Egypt is not considered a regional financial center or a major hub for money laundering. In the past two years, the Government of Egypt has shown increased willingness to tackle the issue of

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money laundering, especially with regard to investigating allegations of illicit gains or corruption of public figures and organizations. The EU, Switzerland, UK, and Canada have taken action to freeze the assets of former president Mubarak and several members of his regime based on their apparent misappropriation from the Egyptian state. While countering corruption remains a focus, cases involving public figures and entities are long-term projects and do not detract from AML work overall. Egypt remains vulnerable to money laundering by virtue of its large informal, cash-based economy. There are estimates that as much as 80 percent of the small and medium enterprise sector is unregistered and reliant on the informal economy. Thus, despite having a large, well developed, and well-respected formal financial sector, many smaller-scale financial transactions are undocumented or do not enter the banking system. Consequently, extensive use of cash for the purpose of avoiding taxes and fees is common. In addition, sources of illegal proceeds reportedly include the smuggling of antiquities and trafficking in narcotics and/or arms. Authorities note increased interception of illicit cross-border fund transfers by customs agents over the past few years.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, foreign exchange and money transfer companies, the post office, insurance companies, securities firms, leasing and factoring companies, mortgage financing companies, real estate brokers, dealers in precious metals and stones, and casinos

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 1,549: July 2012 – June 2013

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks, foreign exchange and money transfer companies, the post office, insurance companies, securities firms, leasing and factoring companies, mortgage financing companies, real estate brokers, dealers in precious metals and stones, and casinos

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** YES **Other mechanism:** YES
With other governments/jurisdictions: YES

Egypt is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.menafatf.org/images/UploadFiles/MER_Egypt_ForPublication.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Egypt appears to be more actively engaged on money laundering issues. The government is currently working to incorporate technical and analytical training on the investigation and prosecution of money laundering and related crimes into its judicial curriculum. Law enforcement authorities have shown improvements in identifying and seizing illicit cross-border shipments and currency transfers, while the courts continue to pursue corrupt members of the previous regime. In the past, a provision of the penal code had obliged prosecutors to press charges on the most serious, readily provable offense, and because other offenses carried higher penalties than money laundering, the prosecutors did not pursue money laundering. Now, judges are required to issue rulings on two punishments, one for money laundering and another for the predicate offense.

The government should continue to build its capacity to successfully investigate and prosecute money laundering offenses. In particular, the judicial system should continue to increase the number of judges trained in financial analysis related to money laundering offenses. Egypt also should work to more effectively manage its asset forfeiture regime, including the identification, seizure, and forfeiture of assets.

El Salvador

El Salvador is part of the transit route for South American cocaine destined for the United States, and the corresponding cash payments returned to South America. The U.S. dollar is the official currency in El Salvador, and the country's dollarized economy and geographic location make it an ideal haven for transnational organized crime groups, including human smuggling and drug trafficking organizations. Money laundering is primarily related to proceeds from illegal narcotics and organized crime; there is no indication that money laundering is being used to fund terrorist activities. The Central America Four Agreement among El Salvador, Guatemala, Honduras, and Nicaragua allows for the free movement of their citizens across the respective borders, bypassing formal immigration and customs inspection. This agreement is a vulnerability to each country and the region for the cross-border movement of contraband and illicit proceeds of crime.

According to authorities, organized crime groups employ the following mechanisms to launder money: the use of front companies, parking lots, travel agencies, remittances, the import and export of goods, and cargo transportation. Illicit activity includes the use of smurfing operations, whereby small amounts of money are deposited or transferred in a specific pattern to avoid detection by government authorities.

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As of December 2013, there are 17 free trade zones (FTZs) operating in El Salvador. The FTZs are comprised of more than 200 companies operating in areas such as textiles, clothing, distribution centers, call centers, business process outsourcing, agribusiness, agriculture, electronics, and metallurgy. A significant number of remittances are transferred through banks, and it is possible narcotics trafficking organizations remit illicit proceeds from drug sales in the United States to El Salvador.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: criminally: NO civilly: NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES

KYC covered entities: Banks, agricultural credit institutions, pension funds, insurance companies, money exchanges, auditors, accountants, notaries, gaming centers, auto dealers, and securities dealers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 1,156 in 2013

Number of CTRs received and time frame: 3,416 in 2013

STR covered entities: Banks, agricultural credit institutions, money exchanges, accountants, notaries, gaming centers, auto dealers, and securities dealers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 88 in 2013

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* YES *Other mechanism:* YES

With other governments/jurisdictions: YES

El Salvador is a member of the Caribbean Financial Action Task Force (CFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: [http://www.cfatf-gafic.org/downloadables/mer/El_Salvador_3rd_Round_MER_\(Final\)_English.pdf](http://www.cfatf-gafic.org/downloadables/mer/El_Salvador_3rd_Round_MER_(Final)_English.pdf)

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The regulatory institutions charged with money laundering supervision are weak and lack both human resources and sufficient regulatory powers. The Superintendence of the Financial System supervises only those money remitters, accountants, and auditors with a relationship with a bank or bank holding company. Independent entities are not subject to any supervision, nor are other designated non-financial businesses and professions (DNFBPs).

The Government of El Salvador's General Assembly passed an Asset Forfeiture (AF) Law in November 2013, and is waiting for final presidential signature to implement program establishment. The AF legislation allows the government to sell property seized in conjunction with narcotics arrests and to use the profits for counternarcotics efforts or other authorized use.

In 2013, assets worth \$2.7 million were criminally forfeited.

El Salvador should provide a clear prohibition against tipping off in its legislation and regulations, and clarify and enforce its provisions regarding criminal liability for legal persons. The Government of El Salvador should develop regulations, guidelines, and adequate supervisory programs for DNFBPs. El Salvador should lower its CTR threshold from approximately \$57,140 to \$10,000 to comport with the international standard. El Salvador should provide clear guidance on protecting sensitive operational information and safeguarding information received from international partners.

Equatorial Guinea

Equatorial Guinea (EG) is not a regional financial center. The oil rich country has very low health and education levels. Implementation of its AML laws is not complete and enforcement is weak. EG's greatest concerns in terms of money laundering and terrorism financing are cross-border currency transactions and the illegal international transfer of money by companies or corrupt individuals. Widespread corruption, at times involving the highest levels of the government, is a primary catalyst for money laundering and other financial crimes. Diversion of public funds and corruption are widespread in both commerce and government, particularly as regards the use of proceeds from the extractive industries, including oil, gas, and timber, the most likely sources of laundered funds. Although there is no significant market for smuggled goods, smuggling for personal use/consumption is endemic. There is no known connection to drug trafficking organizations, organized crime, or terrorists operating locally. There are no significant offshore sectors or free trade zones.

Equatorial Guinea is a member of the Economic and Monetary Community of Central African States (CEMAC) and shares a regional Central Bank (BEAC) with other CEMAC members. The Government of Equatorial Guinea is also a member of the Banking Commission of Central African States within CEMAC.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT

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AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: criminally: NO civilly: NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: NO Domestic: NO

KYC covered entities: Treasury, Central Bank, banks, banking intermediaries, microfinance institutions, insurance companies, investment services, money changers, casinos, notaries, real estate agents, money transfer companies, travel agencies, auditors, accountants, and high-value goods dealers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not available

STR covered entities: Treasury, Central Bank, banks, banking intermediaries, microfinance institutions, insurance companies, investment services, money changers, casinos, notaries, real estate agents, money transfer companies, travel agencies, auditors, accountants, and high-value goods dealers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: None

Convictions: None

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO **Other mechanism:** YES

With other governments/jurisdictions: YES

EG is a member of the Task Force against Money Laundering in Central Africa (GABAC), an entity in the process of becoming a FATF-style regional body. EG has not had a mutual evaluation.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Equatorial Guinea should work with CEMAC, BEAC, and GABAC to establish a fully functioning AML/CFT regime in line with international standards and to strengthen the capacity of the National Agency of Financial Investigation (ANIF), EG's financial intelligence unit.

Equatorial Guinea's officers charged with crime prevention, including the police, judicial police, and ANIF, need professional training in proper financial investigative techniques. There has never been a reported successful money laundering prosecution. Although the AML regulations require covered entities to implement compliance programs and report large and suspicious transactions, financial institutions still fulfill these obligations only to a limited degree.

Equatorial Guinea does not have cross-border currency reporting requirements. International law

enforcement cooperation is weak, although EG works with the European Community in terms of money laundering and terrorism financing through the CEMAC financial agreement with the Treasury of France.

Equatorial Guinea should criminalize terrorism financing and become a party to the 1988 UN Drug Convention and the UN Convention against Corruption.

Eritrea

Eritrea is not a regional financial center. Historically, the Government of the State of Eritrea has relied on command economic policies and arrangements, but it is currently attempting to privatize some key state-owned firms and undertake market reforms. Although reliable statistics are unavailable, exports are currently small, generating little hard currency. The development of the mining sector has led to an increased influx of capital, and some earnings are accruing from mineral exports, notably of gold and copper. The government relies in part on taxation, especially of Eritreans living abroad, to sustain itself; and many in the Eritrean domestic population remain dependent on remittances from relatives abroad.

Eritrea is a source country for men, women, and children subjected to forced labor and, to a lesser extent, sex trafficking. The level of cross-border trafficking of narcotics is not known, but given the government's tight control of the country's borders, Eritrea is not believed to be a significant market or transit route for narcotics. There are, however, reports that Eritrean government and military officials profit from contraband smuggling and extortion. Due to its informal, cash-based economy, limited regulatory structure, underground remittances, prevalent use of money or value transfer systems, proximity to regions where terrorist and criminal organizations operate, and increasing corruption, Eritrea is vulnerable to money laundering and related activities.

The government professes to oppose, and when necessary, to take action against money laundering, but the mechanisms by which it does so remain unclear. Eritrea does not publish national accounts or trade statistics. The international community has long pressed for fiscal transparency, but Eritrean officials have generally not been prepared to discuss AML/CFT initiatives with international experts for a number of years.

Some sources continue to charge that elements of the Eritrean security apparatus provide training, supplies, and financing to destabilizing forces in the region. Evidence of Eritrea's past support to insurgents in neighboring states resulted in the UN Security Council (UNSC) levying an arms embargo against Eritrea beginning in 2009. In December 2011, the UNSC toughened existing sanctions, also addressing concerns over the potential use of Eritrean mining revenues to support destabilizing activities. The UN Somalia-Eritrea Monitoring Group's (SEMG) July 2012 report concluded that Eritrea had reduced or eliminated direct support for al-Shabaab, but recommended maintaining the existing arms embargo until greater transparency is achieved.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: Not available
Are legal persons covered: *criminally:* Not available *civilly:* Not available

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* Not available *Domestic:*
Not available
KYC covered entities: Not available

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available
Number of CTRs received and time frame: Not available
STR covered entities: Not available

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* NO *Other mechanism:* NO
With other governments/jurisdictions: NO

Eritrea is not a member of a FATF-style regional body.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Eritrean banking, legal, and regulatory systems are un- or underdeveloped and are not transparent. Laws are generally issued as proclamations. The constitution, unimplemented following a period of martial law during a border war with Ethiopia beginning in 1998, was distributed to citizens in 2012; Justice Ministry officials say they have long urged implementation, and in 2013 reform-minded elements of the military and citizenry also called for implementation of the constitution. In mid-2012, the government formally reversed its policy of strict self-reliance and rejection of external development assistance, announcing restoration of relations with UN agencies and commencing work on a UN Strategic Partnership Cooperation Framework for a three-year period beginning in 2013.

An IMF document from 2003, describing consultations with the Eritrean government on various financial reforms, noted the government had put in place measures to criminalize money laundering and terrorism finance, confiscate terrorist funds, set reporting requirements for suspicious transactions, and establish a financial intelligence unit. It is not clear whether these

provisions took the form of changes to existing legislation. Specific references to money laundering are not apparent in Eritrean laws or proclamations available to the general public. Eritrean cooperation with the World Bank and IMF is quite limited, due to the government's objections to perceived conditionality, including with respect to advice-giving.

In July 2013, the UNSC called on Eritrea to cooperate with the SEMG so that body could determine the veracity of regional claims about Eritrean assistance to destabilizing forces other than al-Shabaab. In December 2013, Eritrean officials met with the SEMG in what the latter termed a productive session.

Eritrea should make public any relevant AML/CFT laws, proclamations, or regulations and seek international assistance to develop an AML/CFT regime that comports with international standards. Eritrea should become a party to the UN Convention against Corruption, the UN Convention against Transnational Organized Crime, and the International Convention for the Suppression of the Financing of Terrorism.

Estonia

Estonia has a highly developed and transparent banking sector, and its rule of law is recognized as established and mature. Estonia is a transit country for narcotics and other illicit goods. Transnational and organized crime groups are attracted to the country for its location between Eastern and Western Europe. Suspicious transaction reports (STRs) show illicit funds from internet crime flowing into Estonia. Online gaming and casinos are both legal in Estonia, although the industry is well-regulated by the Estonian Gambling Act.

Estonia is a member of the EU and the eurozone. Estonia has adopted the universal banking model which enables credit institutions to participate in a variety of activities such as leasing, insurance, and securities.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/i/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES

KYC covered entities: Banks and credit institutions; lottery and gaming institutions; real estate firms and pawnbrokers; auditors, accountants, and accounting and tax advisors; service

providers for trust funds and business associations; notaries, attorneys, and bailiffs; trustees in bankruptcy and legal services providers; dealers of high-value goods, precious metals, precious metals articles, or precious stones; and non-governmental organizations and foundations if they receive a cash payment exceeding 15,000 euros (approximately \$20,300), or equivalent, whether the transaction is in a single sum or in several related payments

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 4,836: January 1 - September 30, 2013

Number of CTRs received and time frame: 3,414: January 1 - September 30, 2013

STR covered entities: Banks and credit institutions; lottery and gaming institutions; real estate firms and pawnbrokers; auditors, accountants, and accounting and tax advisors; service providers for trust funds and business associations; notaries, attorneys, and bailiffs; trustees in bankruptcy and legal services providers; and dealers of high-value goods, precious metals, precious metals articles, or precious stones

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 48: January 1 - October 31, 2013

Convictions: 18: January 1 - October 31, 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES **Other mechanism:** YES

With other governments/jurisdictions: YES

Estonia is a member of the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body. Its most recent mutual evaluation report can be found at:

http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Estonia_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In February 2013, the Government of Estonia launched the national AML/CFT Risk Assessment Task Force. The aim of the task force is to focus on the legislation and to direct Estonia's key AML/CFT agencies to concentrate on high priority and high risk areas.

At the end of 2013, the largest money laundering case in Estonia's history was prosecuted. Estonian investigators uncovered a Russian, Latvian, and Estonian money laundering scheme, which allegedly legalized at least 64 million euros (approximately \$87 million). Hundreds of companies were involved, most located in Russia. Illicit money from Russia and Latvia was transferred to an account in Estonia. The company involved then converted the money to dollars or euros. The funds were withdrawn and couriers transported the bulk cash back to Russia. The money was then transferred from one company to another, and new companies were formed. According to reports, organized crime and multiple politicians, police officers, and businesses were involved in the scheme.

Ethiopia

Due primarily to its unsophisticated financial system and pervasive government controls, Ethiopia is not considered to be a regional financial center. Ethiopia's location within the Horn of Africa makes it vulnerable to money laundering-related activities perpetrated by transnational criminal organizations, terrorists, and narcotics trafficking organizations. Corruption, smuggling, and trafficking in narcotics, persons, arms, and animal products are the key proceeds-generating crimes. As the economy grows and becomes more open, Ethiopian law enforcement sources believe bank fraud, electronic/computer crime, and money laundering activities could continue to rise. The financial services sector remains closed to foreign investment.

High tariffs encourage customs fraud and trade-based money laundering. Since strict foreign exchange controls limit the possession of foreign currency, most of the proceeds of contraband smuggling and other crimes are not laundered through the official banking system, composed of three public banks and fourteen private banks. Law enforcement sources indicate money and value transfer systems, particularly hawala, are widely used. The Ethiopian government attempts to monitor informal value transfer networks within the country and has closed a number of illegal hawala operations.

In June 2011, the FATF began to include Ethiopia in its Public Statement for Ethiopia's lack of sufficient progress in addressing longstanding AML/CFT deficiencies. Most recently, the FATF again included Ethiopia in its October 18, 2013 Public Statement for its continuing lack of adequate progress. The noted deficiencies include inadequate customer due diligence measures and the lack of an adequate legal framework and procedures to identify and freeze terrorist assets. The FATF has called upon its members to consider the risks arising from these deficiencies.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: **criminally:** YES **civilly:** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: **Foreign:** NO **Domestic:** NO

KYC covered entities: Banks, foreign exchange bureaus, financial leasing companies, customs and revenue agency, notaries, licensing organizations, auditors, accountants, real estate brokers/agents, precious metal dealers, brokers/investment advisors

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 279: January 1 - November 20, 2013

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Number of CTRs received and time frame: 867,305: January 1 - October 31, 2013

STR covered entities: Banks, foreign exchange bureaus, financial leasing companies, customs and revenue agency, notaries, licensing organizations, auditors, real estate agents/brokers, precious metal dealers, brokers/investment advisors

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 6 cases involving 13 people: January 1 - November 20, 2013

Convictions: 5: January 1 – November 20, 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** NO **Other mechanism:** NO

With other governments/jurisdictions: NO

Ethiopia is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a FATF-style regional body. It recently underwent its first mutual evaluation. Once published, its mutual evaluation report can be found at:

<http://www.esaamlg.org/reports/me.php>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Ethiopia has taken important steps to improve its AML/CFT regime, including by enacting AML/CFT legislation in January 2013 and by creating a financial intelligence unit, the Financial Intelligence Center (FIC). The major provisions of the new legislation include, among other items, the criminalization of money laundering and terrorism financing, cross-border currency declarations, customer due diligence and record-keeping requirements, suspicious and large currency transaction reporting, and seizure and forfeiture powers. The legislation also spells out the authorities and powers of the FIC and the regulatory agencies. Ethiopia continues to improve its AML/CFT regime, most notably by continuing to develop the FIC; securing capacity-building training for both the FIC and the Ministry of Justice; and becoming a member of the ESAAMLG in September 2013. An action plan developed by the Ministry of Finance aims to further improve Ethiopia's AML/CFT capabilities.

The FIC reports having thirty employees, including analysts, administrative staff, and information technology professionals, and is working to develop its investigative and referral capacity. It has begun receiving suspicious transaction reports (STRs) and currency transaction reports (CTRs), though it lacks the technical capacity to effectively sort through and store the over 10,000 CTRs it receives weekly. The FIC has conducted workshops for banks on how to identify suspicious transactions and has engaged with federal prosecutors to improve the prosecution of money laundering cases.

Although Ministry of Justice officials have received training, the Ethiopian law enforcement community, from investigators to prosecutors to judges, remains deficient in its awareness of AML/CFT issues and its understanding of how to address them. The government's poor record-keeping system in general, and lack of centralized law enforcement records in particular, hinder the federal police's ability to identify and investigate trends in money laundering and terrorism

financing. Furthermore, inadequate police training and a lack of resources limit the federal police's financial investigative abilities.

Fiji

The Republic of Fiji is a small country with a population of less than one million. It has relatively significant natural resources and is among the most developed of the Pacific island nations. It is not a regional financial center but serves as a regional hub for transportation and shipping for other Pacific island nations.

Fiji's geographical location makes it a convenient potential staging point for criminal activities in Australia and New Zealand, as demonstrated by some significant drug-related cases and a noted increase in the number of human smuggling cases. Cross-border criminal gangs involving individuals from neighboring Asian countries also operate in Fiji.

There are no casinos currently operating. Although one large casino has been planned since 2011, construction has not yet started. It is unclear if the owners and investors have been vetted for AML risks; the ability of the government to regulate it effectively also is unknown.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.; NO

CRIMINALIZATION OF MONEY LAUNDERING:

INITIALIZATION OF MONEY LAUNDERING:
“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES

KYC covered entities: Banks, foreign exchange dealers, money remittance service providers, law firms, real estate agencies, accountants

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 461; July 2012 - June 2013

Number of CTRs received and time frame: 279; July 2012 - June 2013

STR covered entities: Banks, foreign exchange dealers, money remittance service providers, law firms, real estate agencies, accountants

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 25: January - November 2013

Convictions: 3: January - November 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO *Other mechanism:* YES

With other governments/jurisdictions: YES

Fiji is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.apgml.org/members-and-observers/members/member-documents.aspx?m=49b3f6d3-e03f-4d4e-a2fa-faaab935098a>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Fiji's financial intelligence unit does not have budgetary independence. The Government of Fiji should continue to implement AML/CFT measures that adhere to international standards. Fiji also should become a party to the UN Convention against Transnational Organized Crime. The government should ensure its gaming supervision program is sufficient to properly oversee the large casino, which should start construction in 2014, and that it conducts proper due diligence on the casino's investors and owners.

Finland

Finland is not a regional center for money laundering, financial crime, or illegal commerce. The major sources of illegal proceeds in Finland relate to financial crimes, and the majority of investigated suspicious financial activities have an international dimension. The number of organized criminal groups has grown slightly in the past few years, as has the number of their members. Illicit funds are normally laundered through currency exchangers and gaming establishments. Terrorism-related fundraising appears to be less of a problem than in other European countries.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: NO

KYC covered entities: Credit and financial institutions; investment firms, management companies, and custodians; the central securities depository and book entry registrars; payment institutions and money transmitters and remitters; insurance companies, local

mutual insurance associations, and insurance intermediaries; authorized pension insurance companies; limited liability companies or cooperatives engaged in restricted credit institution activities; tax advisors; apartment rental and real estate agents; auditors, lawyers, notaries, and accountants; trust and company service providers; pawn shops and dealers in high-value goods; casinos and gaming entities

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 34,749: January 1 - November 26, 2012

Number of CTRs received and time frame: Not applicable

STR covered entities: Credit and financial institutions, investment and fund management companies, insurance brokers and companies, apartment rental and real estate agents, pawn shops, betting services, casinos, non-bank financial institutions, management companies, custodians of mutual funds, auditors, auctioneers, lawyers, notaries, accountants, dealers in high-value goods, money remitters, tax advisory and financial management services, repossession agents, and bankruptcy ombudsmen

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES ***Other mechanism:*** YES

With other governments/jurisdictions: YES

Finland is a member of the FATF. Its most recent mutual evaluation can be found at:

<http://www.fatf-gafi.org/countries/d-i/finland/documents/mutualevaluationoffinland.html>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Finland has a comprehensive AML/CFT regime. Although still deficient in a few areas, Finland has made significant progress in addressing outstanding issues, and its AML/CFT program is largely compliant and generally effective.

In April 2013, a new Act on Freezing of Funds with a view to Combating Terrorism was adopted by Parliament; the act entered into force on June 1, 2013. The act establishes a national administrative mechanism for freezing funds and economic resources of persons and entities involved in terrorism. The financial intelligence unit has the ability to freeze a transaction for up to five business days in order to determine the legitimacy of the funds. Funds can remain frozen for an extended period when linked to a criminal investigation. According to the Coercive Measures Act, all restraining and freezing orders must be presented to the court every four months. A new order can be given for a “reasonable time,” but it is unclear how long that time can ultimately be.

France

Money Laundering and Financial Crimes

France's banking, financial, and commercial relations, especially with Francophone countries, make it an attractive venue for money laundering because of its sizeable economy, political stability, and sophisticated financial system. Public corruption, narcotics and human trafficking, smuggling, and other crimes associated with organized crime generate illicit proceeds.

Casinos are regulated. France can designate portions of its customs territory as free trade zones and free warehouses in return for employment commitments. The French Customs Service administers these zones. France has a large informal sector, and informal value transfer systems such as hawala are used by immigrant populations accustomed to such systems in their home countries. There is little information on the scale of such activity.

Since 2011, France has considerably expanded its financial intelligence unit (FIU), TracFin. TracFin is examining ways new anonymous electronic payment instruments, gold, and employee meal tickets (restaurant vouchers provided by employers) are used as alternatives to cash. The use of virtual money is growing in France through online gaming and social networks. Sport teams have become another significant source of money laundering. TracFin has been increasingly focused on tax and social benefits fraud, closely collaborating with the Budget Ministry and social security organizations.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/i/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: **criminally:** YES **civilly:** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* YES

KYC covered entities: Banks, credit and money-issuing institutions, e-money institutions, investment firms, money exchangers, investment management companies, mutual insurers and benefit institutions, insurance intermediaries and dealers, notaries, receivers and trustees in bankruptcy, financial investment advisors, real estate brokers, chartered accountants, auditors, dealers in high-value goods, auctioneers and auction houses, bailiffs, lawyers, participants in stock exchange settlement and delivery, commercial registered office providers, gaming centers, companies involved in sports betting and horse racing tips, and casinos

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 26,011 in 2012

Number of CTRs received and time frame: 1,218 in 2012

STR covered entities: Banks, credit and money-issuing institutions, e-money institutions, investment firms, money exchangers, investment management companies, mutual insurers and benefit institutions, insurance intermediaries and dealers, notaries, receivers and trustees in bankruptcy, financial investment advisors, real estate brokers, chartered accountants, auditors, dealers in high-value goods, auctioneers and auction houses, bailiffs, lawyers, participants in stock exchange settlement and delivery, commercial registered office providers, gaming centers, companies involved in sports betting and horse racing tips, and casinos

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 297 in 2011

Convictions: 28 in 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES **Other mechanism:** YES

With other governments/jurisdictions: YES

France is a member of the FATF. Its most recent mutual evaluation can be found at:

<http://www.fatf-gafi.org/countries/d-i/france/>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of France applies the 2006/70/CE EU directive by which politically exposed persons (PEPs) from EU states may benefit from simplified vigilance procedures, but only in a limited number of cases. France should review its procedures to ensure all PEPs undergo enhanced due diligence.

TracFin has hired new officers, updated its investigative methods, and modernized its information systems, making compliance with the KYC rules easier for covered entities. More data is also made available to the public online. TracFin staff has benefitted from additional training, and further improvements are planned. The July 27, 2013 law no. 2013-672 on the separation and regulation of banking activities includes AML and tax evasion provisions aimed at reinforcing TracFin's powers.

The same law distinguishes between traditional reporting of suspicious transactions and systematic communication of information (COSI) to TracFin. Effective November 1, 2013, COSI applies to transfers of cash payments or transfers via electronic payments. The system was created to improve financial information available to TracFin. Designated professionals and institutions have to provide information on transfers of funds used for payments in cash or by wire when transfers are more than 1,000 euros (approximately \$1,360). The information has to be provided to TracFin within 30 days following the month in which the payment was made. Effective April 1, 2014, the COSI will also apply to transfers of more than 2,000 euros (approximately \$2,720) made by a client over a calendar month. The COSI is different from traditional suspicious transaction reports (STRs) as it cannot be used by TracFin to initiate investigations. It does not exempt professionals from their obligations to report STRs.

A law passed on January 28, 2013 seeks to modernize the French legal framework by including e-money institutions among the entities subject to risk mitigation requirements, such as verifying a client's identity and declaring potential risks of illegal activities.

In June 2013, the Financial Markets Authority (AMF), the French equivalent of the Securities and Exchange Commission, stated it has an oversight obligation and may conduct documentary audits and on-site AML/CFT compliance inspections. It is authorized to report any exceptions it observes to the AMF Enforcement Committee. The AMF collaborates with the Prudential Control Authority and the Anti-Money Laundering Steering Committee. The AMF also has an obligation to report any suspicions to TracFin.

In 2011, France created the Agency for the Management of Seized and Confiscated Assets (AGRASC) to oversee the collection and distribution of forfeited assets in cooperation with international partners. According to an AGRASC report, France has cooperated with international partners to seize assets, including a recent repatriation of assets in a joint French/Luxembourg case. However, the sharing of assets with international partners is not yet a routine practice.

France should examine AML reporting requirements of company registration agents, real estate agents, jewelers, casinos, and lawyers to ensure they are complying with their obligations under the law. Information on the number of prosecutions and convictions in 2012 and 2013 is not available; however, TracFin has commented that the number of prosecutions in 2011 was low in comparison to the number of STRs submitted.

Gabon

Gabon is not a regional financial center. Gabon suffers from porous borders, and smuggling, facilitated by organized criminal groups, is reportedly widespread. Despite fiscal management reform efforts, systemic corruption persists. The embezzlement of state funds, including by politically exposed persons (PEPs), reportedly gives rise to money laundering. There is a large expatriate community in Gabon engaged in the timber industry, construction, and general trade. Money and value transfer services, such as hawala, and trade-based commodity transfers are often used by those expatriates, particularly the large Lebanese community, to avoid strict controls on the repatriation of corporate profits.

The Bank of Central African States (BEAC), based in Cameroon, is a regional central bank that serves six Central African countries and supervises Gabon's banking system. BEAC's Economic Intervention Service harmonizes the regulation of currency exchanges in the member states of the Central African Economic and Monetary Community.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN

THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: **criminally:** YES **civilly:** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: **Foreign:** YES **Domestic:** YES
KYC covered entities: Banks, exchange houses, stock brokerages, casinos, insurance companies, lawyers and accountants

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not available

STR covered entities: Banks, exchange houses, stock brokerages, casinos, insurance companies, lawyers and accountants, jewelry shops, car dealers, and casinos

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: 0 in 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** NO **Other mechanism:** YES

With other governments/jurisdictions: YES

Gabon is a member of the Action Group against Money Laundering in Central Africa (GABAC), an organization in the process of becoming a FATF-style regional body. In 2012, Gabon underwent a mutual evaluation; however, it has not yet been published.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Although the National Agency for Financial Investigation (ANIF), Gabon’s financial intelligence unit, is now functional, it is hampered by deficiencies in the law, which merges suspicious transaction reporting (STRs) with currency transaction reporting (CTRs). All transactions over 5,000,000cfa (approximately \$10,000) are reported, regardless of whether such transactions are deemed suspicious by the reporting institution. Banks may report transactions to ANIF for sums under this threshold, but do so on a case-by-case basis. ANIF still lacks the staff necessary to carry out its essential functions, and existing ANIF staff members report they need more training to improve the agency’s effectiveness. At the close of 2013, ANIF had not yet released an activity report for 2012.

The Gabonese judicial system has been slow to process money laundering cases because the process itself is cumbersome despite ongoing reform efforts, and because judges are not trained to hear such cases. Moreover, the judiciary remains generally inefficient and susceptible to undue influence.

The majority of ANIF STRs sent to the Attorney General in recent years were reportedly either dropped for lack of evidence or dismissed on procedural grounds. In Gabon, ANIF conducts initial financial investigations and, if there is sufficient evidence, later refers the case to a magistrate for prosecution. Police inefficiency, corruption, and impunity remain serious problems, although the government is stepping up its efforts against corrupt officials. Collection of evidence is also difficult. ANIF is working to raise awareness of AML/CFT and financial crimes cases among the judicial magistrates. In 2013, there were 10 ongoing prosecutorial investigations.

The Gabonese are willing to cooperate on international law enforcement matters via the exchange of diplomatic notes and letters. The Government of Gabon should continue working with regional and international organizations to establish a fully functioning AML/CFT regime in line with international standards.

Gambia

The Gambia is not a regional financial center, although it is a regional re-export center. The Gambia derives most of its GDP from agriculture, tourism, remittances, and the re-export trade, with most transactions conducted in cash. Goods and capital are freely and legally traded in The Gambia, and, as is the case in other re-export centers, smuggling of goods occurs. Although The Gambia has limited capacity to monitor its porous borders, customs officials cooperate with counterparts in Senegal to combat smuggling along their common border. A lack of resources hinders law enforcement's ability to combat smuggling more effectively.

The Gambia has been linked to money laundering in West Africa. In 2011, the U.S. government publicly identified the Lebanese Canadian Bank (LCB), together with its foreign subsidiaries, as a financial institution of primary money laundering concern under Section 311 of the USA PATRIOT Act for LCB's role in facilitating the money laundering activities of an international narcotics trafficking and money laundering network. LCB's subsidiaries included the Gambia-based Prime Bank. Prime Bank was reportedly liquidated in 2013 after it was divested by its Lebanese parent and, therefore, unable to meet new capital requirements imposed by the Central Bank of The Gambia.

It is unclear to what extent money laundering is related to narcotics, but recent seizures of large amounts of cocaine and marijuana have heightened renewed international concerns. The rapid growth of commercial banks entering the local market in the past few years, currently 13, also raises possible money laundering concerns. These concerns are further heightened by the problems of persistently weak controls and supervision, the dominance of cash transactions, a poor know-your-customer compliance culture, and massive inflows of tourists.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT

AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach
Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: NO

KYC covered entities: Banks and microfinance entities; money remitters and exchanges; financial instrument and securities brokers and dealers; real estate agents; bullion dealers; casinos and lottery outlets; insurance companies and intermediaries; payroll services; guarantors and safe custody services; and trust and company service providers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 70: November 2012 - October 2013

Number of CTRs received and time frame: Not available

STR covered entities: Banks and microfinance entities; money remitters and exchanges; financial instrument and securities brokers and dealers; real estate agents; bullion dealers; casinos and lottery outlets; insurance companies and intermediaries; payroll services; guarantors and safe custody services; and trust and company service providers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2013

Convictions: 0 in 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** NO *Other mechanism:* NO

With other governments/jurisdictions: YES

The Gambia is a member of the Inter Governmental Action Group against Money Laundering in West Africa (GIABA), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.giaba.org/reports/mutual-evaluation/Gambia.html>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In February 2013, the board of directors of the Financial Intelligence Unit (FIU) was inaugurated, and a new director was appointed in November 2013. The Government of The Gambia should now follow through with a planned increase in the FIU's budget, so as to enable it to recruit and train additional personnel.

Similarly, The Gambia should provide adequate resources and capacity to its law enforcement, supervisory, and customs personnel so they are able to effectively fulfill their responsibilities. Gambian authorities should investigate the country's re-export sector to determine whether it is being used to launder criminal proceeds.

Finally, The Gambia should criminalize outstanding predicate offenses to money laundering, adopt effective laws and procedures to implement UNSCRs 1267 and 1373, and become a party to both the UN International Convention for the Suppression of the Financing of Terrorism and the UN Convention against Corruption.

Georgia

Illegal income in Georgia derives from tax evasion, fraud, falsification of documents, misappropriation of funds, corruption, illegal entrepreneurship, intellectual property rights violations, environmental crimes, and theft. According to the Chief Prosecutor's Office of Georgia, the bulk of criminal proceeds laundered in Georgia are derived from domestic criminal activity. Only a small portion of money laundering is related to narcotics trafficking, although there is a domestic market for illegal narcotics and trafficked narcotics transit Georgia. The Russian-occupied territories of South Ossetia and Abkhazia fall outside the control of Government of Georgia authorities and are not subject to monitoring.

According to the Investigation Service of the Ministry of Finance, there is a small black market for smuggled goods in Georgia. There is little evidence to suggest it is significantly funded from narcotics proceeds, or that the funds generated by smuggling are laundered through the formal financial system. Smuggled goods are sold in black or gray markets to avoid tax and customs duties. The extent of black market trading in the occupied territories of Abkhazia and South Ossetia is unknown. The rapid growth of the gaming industry in Georgia and lack of regulatory supervision present money laundering concerns.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/i/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.; NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: **criminally:** YES **civilly:** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES

KYC covered entities: Banks, currency exchange bureaus, non-bank depository institutions and microfinance organizations; money remitters; qualified credit institutions; securities brokers and registrars; insurance companies and non-state pension scheme founders; organizers of lotteries and other commercial games; entities engaged in activities related to antiquities, precious metals, precious stones, and products thereof; the Ministry of Finance Revenue Service; entities engaged in the extension of grants and charity assistance; notaries;

the National Agency of the Public Registry; accountants and auditors; leasing companies; and lawyers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 1,631: January 1 - September 30, 2013

Number of CTRs received and time frame: 89,827: January 1 - September 30, 2013

STR covered entities: Banks, currency exchange bureaus, non-bank depository institutions and microfinance organizations; money remitters; qualified credit institutions; securities brokers and registrars; insurance companies and non-state pension scheme founders; organizers of lotteries and other commercial games; entities engaged in activities related to antiquities, precious metals, precious stones, and products thereof; the Ministry of Finance Revenue Service; entities engaged in the extension of grants and charity assistance; notaries; the National Agency of the Public Registry; accountants and auditors; leasing companies; and lawyers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 11: January 1 - October 31, 2013

Convictions: 0: January 1 - October 31, 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO ***Other mechanism:*** NO

With other governments/jurisdictions: NO

Georgia is a member of the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body. Its most recent mutual evaluation can be found at:

http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Georgia_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Parliamentary elections on October 1, 2012 resulted in the formation of a new government administration, which took office on October 26. Since late 2012, the number of investigations and prosecutions of money laundering has declined significantly. This appears to be due to a number of factors, including shifting priorities within the Prosecutor General's Office and prosecutions of former senior government officials who are alleged to have committed financial and other crimes. Other factors that contribute to a decline in money laundering prosecutions include greater judicial scrutiny of money laundering cases and the application of narrower definitions of what constitutes a money laundering case by both judges and prosecutors. In line with a zero tolerance against crime, the previous Prosecutor's Office applied a broad definition of money laundering and brought money laundering charges in a variety of situations, whereas the current Prosecutor's Office is applying a narrower definition and bringing such charges in a smaller set of circumstances.

Reflecting greater judicial independence from the new government, some judges appear to have required convictions for predicate offenses before allowing money laundering charges to proceed, rather than allowing money laundering and other charges to be combined and charged

simultaneously in one criminal action before the court. Every case of money laundering prosecution in 2013 was a stand-alone case in which a conviction for predicate crimes had been charged earlier in a separate criminal action (usually for fraud and/or falsification of documents). Georgian prosecutors and law enforcement authorities should put more emphasis on pursuing the link between organized crime and money laundering. For example, investigations into narcotics, extortion, weapons of mass destruction, human trafficking, prostitution, and smuggling rarely pursue financial components.

Despite a domestic market for illegal drugs and international drug trafficking through Georgia, narcotics trafficking is rarely recognized as a predicate offense for money laundering. Lack of coordination and information-sharing among various law enforcement and criminal justice agencies are acknowledged to be factors hindering effective money laundering investigations and prosecutions. The Government of Georgia has not adopted a task force approach to money laundering, in which multiple agencies and ministries could work together more effectively to investigate suspicious financial transactions. Investigations and prosecutions were mostly initiated on the basis of operative law enforcement information and rarely based on suspicious transaction reports (STRs) and currency transaction reports (CTRs). Government officials have noted that the system of STR and CTR notifications from financial institutions is inefficient. Similarly, reports filed by notaries, broker companies, and microfinance organizations generate few inquiries or investigations. The data compiled by the Financial Monitoring Service, the country's financial intelligence unit, remains an untapped tool for discovering money laundering from a variety of predicate offenses.

Germany

While not an offshore financial center, Germany is one of the largest financial centers in Europe. Germany is a member of the Eurozone, thus making it attractive to organized criminals and tax evaders. Many indicators suggest Germany is susceptible to money laundering and terrorist financing because of its large economy, advanced financial institutions, and strong international linkages. Although not a major drug producing country, Germany continues to be a consumer and a major transit hub for narcotics.

Organized criminal groups involved in drug trafficking and other illegal activities are sources of laundered funds in Germany. According to officials, as of 2010, an estimated EUR 40 to EUR 60 billion (approximately \$55–82 billion) of criminal proceeds, inclusive of tax evasion, are generated in Germany annually.

Terrorists have carried out terrorist acts in Germany and in other nations after being based in Germany. Germany is estimated to have a large informal financial sector, and informal value transfer systems such as hawala are used by immigrant populations accustomed to such systems in their home countries. There is little data on the scale of this activity.

Trends in money laundering include: electronic payment systems; trade in precious metals, electronics, and energy; and a decrease in cases involving financial agents, i.e., persons who are solicited to make their private accounts available for money laundering transactions. The use of

cash is high. Free zones exist in Bremerhaven, Cuxhaven, and Hamburg. Unfenced inland ports are located in Deggendorf and Duisburg.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: Combination approach

Are legal persons covered: ***criminally:*** NO ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** NO

KYC covered entities: Banks, financial services, payment and e-money institutions and their agents; financial enterprises; insurance companies and intermediaries; investment companies; lawyers, legal advisers, auditors, chartered accountants, tax advisers, and tax agents; trust or company service providers; real estate agents; casinos; and persons trading in goods

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 14,361 in 2012

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks, financial services, payment and e-money institutions and their agents; financial enterprises; insurance companies and intermediaries; investment companies; lawyers, legal advisers, auditors, chartered accountants, tax advisers, and tax agents; trust or company service providers; real estate agents; casinos; and persons trading in goods

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 1,070 in 2011

Convictions: 903 in 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES ***Other mechanism:*** YES

With other governments/jurisdictions: YES

Germany is a member of the FATF. Its most recent mutual evaluation can be found at:
<http://www.fatf-gafi.org/countries/d-i/germany/documents/mutualevaluationofgermany.html>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

On February 26, 2013, amendments to Germany's Law against Money Laundering (AML Act) entered into force to regulate online gaming and to tighten control over the increasing number of casinos and slot machines. The new law, which takes into account the expiration of the Interstate Gambling Treaty, bans gift cards, subjects online gaming companies to KYC rules, requires online gaming operators to have better risk management, and strengthens the power of regulators.

The new measures also add online gaming operators and their intermediaries as persons/entities covered by AML Act provisions. Operators must apply specific customer due diligence measures; establish appropriate risk management processes and procedures, as well as internal controls; identify and verify the identity of the player; and set up a gaming account for the player prior to allowing him to participate. The revised law also aims to improve the transparency of payment flows by requiring the use of an identified payment account of the player for any transfers or receipt of funds. Credit and payment institutions involved in the processing of credit card payments between the player and the gaming operator have to meet new due diligence obligations, especially by ensuring that funds transfers to operators of online gaming are identified as such by the use of an agreed merchant category code. Authorities also can now request information about payment accounts of online gaming operators and players. The sanctions provision of the AML Act also was amended accordingly.

Tipping off is a criminal offense only if it is committed with the intent to support money laundering or obstruct justice, and applies only to previously-filed suspicious transaction reports (STRs). Otherwise, it is an administrative offense that carries a fine of up to €100,000 (approximately \$137,000) under the AML Act. Legal persons are only covered by the Administrative Offenses Act and are not criminally liable under the criminal code.

While Germany has no automatic currency transaction report (CTR) requirement, large currency transactions frequently trigger STRs. Germany should consider strengthening the above provisions and also tightening the regulations on domestic politically exposed persons (PEPs).

The numbers of prosecutions and convictions included in this report only reflect cases in which the money laundering violation carried the highest penalty of all the crimes of which the offender was convicted. Germany has no federal statistics on the amount of assets forfeited in criminal money laundering cases. Assets can be forfeited as part of a criminal trial or through administrative procedures such as claiming back taxes.

Germany should become a party to the UN Convention against Corruption.

Ghana

Ghana is becoming an important regional financial center, including for illicit financial activity. Most of the money laundering in Ghana involves narcotics trafficking, various forms of fraud, and public corruption. Financial crimes, such as advance fee fraud, known locally as "sakawa;" stolen Ghanaian credit card and ATM account numbers; and check cloning continue to increase. Public corruption is a major source of laundered funds in Ghana, occurring mainly in conjunction with public procurements or the awarding of licenses. Criminals launder illicit

proceeds through investments in banking, insurance, real estate, automotive and general import businesses, and reportedly, donations to religious institutions. Informal financial activity accounts for approximately 45 percent of the total Ghanaian GDP. Trade-based money laundering is sometimes used to repatriate “profit” or to evade customs duties and other taxes. Some traders import counterfeit goods or smuggle goods to evade taxes. In most cases, smugglers transport goods into the country in small quantities, and Ghanaian authorities have no indication these smugglers have links to criminals seeking to launder the proceeds of narcotics trafficking or corruption. Ghana is also one of the top destinations for stolen cars, many originating in the United States.

The regulations governing domestic and offshore banks are largely similar. Both are required to perform customer due diligence and file suspicious transaction reports (STRs). Currently, no banks in Ghana provide offshore banking services. Ghana has designated four free trade zone (FTZ) areas, but the Tema Export Processing Zone is the only active FTZ. Ghana also licenses factories outside the FTZ area as free zone companies. Free zone companies, most of which produce garments and processed foods, must export at least 70 percent of their output. The Ghana Free Zone Board and the immigration and customs authorities monitor these companies. There are identification requirements for companies, individuals, and their vehicles in the free zone; however, monitoring and due diligence procedures are lax.

For additional information focusing on terrorist financing, please refer to the Department of State’s Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: Combination approach

Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES

KYC covered entities: Banks, insurance and securities firms, casinos, auctioneers, notaries, lawyers, non-governmental organizations (NGOs), accountants, religious bodies, real estate developers, operators of games of chance, trust and company service providers, funds remitters and exchanges, dealers in motor vehicles, and dealers in precious minerals and stones

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 347: January 1 - December 16, 2013

Number of CTRs received and time frame: 1,354,490: January 1 - November 30, 2013

Money Laundering and Financial Crimes

STR covered entities: Banks, discount houses, finance companies, and money brokers; factors; project financiers and consultants; plant and equipment leasing firms; debt, investment, pension, and fund managers; private ledger services; export finance firms; lawyers, notaries, and accountants; religious bodies and NGOs; money remitters; securities firms; casinos; insurance and real estate companies; auctioneers, dealers in cars and precious metals and stones; and trust and company service providers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2013

Convictions: 0 in 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO **Other mechanism:** YES

With other governments/jurisdictions: YES

Ghana is a member of the Inter Governmental Action Group against Money Laundering in West Africa (GIABA), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.giaba.org/reports/mutual-evaluation/Ghana.html>.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In February 2013, Ghana issued Executive Instrument (E.I.) 2, which implements UNSCRs 1267, 1373, 1718, 1737, and successor resolutions. Ghanaian officials report the Government of Ghana has ordered the freezing of the assets of every individual and entity on the UN al-Qaida and Taliban sanctions lists.

The Financial Intelligence Centre (FIC), Ghana's financial intelligence unit (FIU), is fully functional following the deployment of AML/CFT analytical software and the training of its staff in basic financial analysis techniques. Authorities continue to raise public awareness and understanding of financial crime, money laundering, and terrorism financing activities via training and workshops for bankers, lawyers, and government officials.

In October 2013, the Ghanaian administration presented its Anti-Money Laundering (Amendment) and Anti-Terrorism (Amendment) Bills to Parliament.

The Government of Ghana should continue to address the remaining deficiencies in its AML/CFT regime, including by enacting a law to require companies to identify beneficial owners and to require the true names of all onshore and offshore entities and their beneficial owners to be held in a registry accessible to law enforcement officials. Law enforcement and judicial authorities must begin to investigate and prosecute money launderers. As Ghanaian mineral and oil production generates increasing wealth, the need for transparency and financial safeguards becomes particularly urgent.

Gibraltar

Gibraltar, an overseas territory of the UK, is part of the EU. A November 2006 referendum resulted in constitutional reforms transferring powers exercised by the UK government to Gibraltar. Gibraltar has an international financial center, which is small internationally but large in comparison to its domestic economy. The financial services sector has strong ties to London, the Crown Dependencies, and other financial centers.

Bordering Spain and near the north coast of Africa, Gibraltar is adjacent to known drug trafficking and human smuggling routes, but the territory is heavily policed on land and at sea due to the risk of these activities occurring within its borders or territorial waters. Gibraltar is exposed to money launderers located in drug producing centers in Morocco and drug consumption and distribution networks in Spain. With the establishment in southern Spain of organized criminal activities from Eastern Europe, there is potential for launderers to use Gibraltar as a base for money laundering. These risks are mitigated by the small coastline and effective policing. Border controls between Gibraltar and Spain also help deter potential money launderers wishing to use Gibraltar for their activities.

In 2013, following allegations from Spain that Gibraltar was a hub for money laundering and tax evasion, the European Commission conducted an investigation clearing Gibraltar and stating that there are no “well-founded” claims against Gibraltar regarding money laundering and tax evasion.

For additional information focusing on terrorist financing, please refer to the Department of State’s Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** NO
KYC covered entities: Banks, mutual savings companies, insurance companies, financial consultants, investment businesses, postal services, exchange bureaus, attorneys, accountants, financial regulatory agencies, unions, casinos, lotteries, charities, car dealerships, yacht brokers, company formation agents, political parties, real estate agents, notaries, and dealers in gold bullion and high-value goods

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 510 in 2012
Number of CTRs received and time frame: Not applicable
STR covered entities: Any legal person, whether or not they conduct financial services

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 1 in 2012

Convictions: 1 in 2012

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* YES **Other mechanism:** YES

With other governments/jurisdictions: YES

Gibraltar is not a member of a FATF-style regional body.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

As a part of the EU, Gibraltar is required to transpose all EU legislation. Gibraltar has a comprehensive range of AML/CFT laws. The criminal laws on money laundering have been consolidated in draft form, and powers presently available only in drug-related money laundering cases are being extended to money laundering cases involving the proceeds of other crimes. As of 2011, tax evasion is considered a predicate offense for money laundering.

The Financial Services Commission (FSC), a unified regulatory and supervisory authority for financial services, notes the increasing sophistication of money launderers. The FSC should continue to review regulatory and supervisory practices to keep pace with new developments.

Gibraltar, as a UK overseas territory, cannot sign or ratify international conventions in its own right. Rather, the UK is responsible for Gibraltar's international affairs and may arrange for the ratification of any convention to be extended to Gibraltar. The UN Convention against Transnational Organized Crime was extended to Gibraltar in 2007. The 1988 UN Drug Convention, the UN Convention against Corruption, and the International Convention for the Suppression of the Financing of Terrorism have not yet been extended to Gibraltar, although the legislation for such extension is in place.

Greece

Greece is a regional financial center for the Balkans, as well as a bridge between Europe and the Middle East. Official corruption, the presence of organized crime, and a large informal economy make the country vulnerable to money laundering and terrorist financing. Greek law enforcement proceedings show that Greece is vulnerable to narcotics trafficking, trafficking in persons and illegal immigration, prostitution, smuggling of cigarettes and other contraband, serious fraud or theft, illicit gaming activities, and large scale tax evasion.

Evidence suggests financial crimes have increased in recent years and criminal organizations, some with links to terrorist groups, are increasingly trying to use the Greek banking system to launder illicit proceeds. Criminally-derived proceeds historically are most commonly invested in real estate, the lottery, and the stock market. Criminal organizations from southeastern Europe, the Balkans, Georgia, and Russia are responsible for a large percentage of the crime that generates illicit funds. The widespread use of cash facilitates a gray economy as well as tax

evasion, although the government is trying to crack down on both trends. Due to the large informal economy, it is difficult to determine the value of goods smuggled into the country, including whether any of the smuggled goods are funded by narcotic or other illicit proceeds. There is increasing evidence that domestic terrorist groups are involved with drug trafficking.

Greece has three free trade zones (FTZs), located at the Heraklion, Piraeus, and Thessaloniki port areas. Goods of foreign origin may be brought into the FTZs without payment of customs duties or other taxes and remain free of all duties and taxes if subsequently transshipped or re-exported. Similarly, documents pertaining to the receipt, storage, or transfer of goods within the FTZs are free from stamp taxes. The FTZs also may be used for repacking, sorting, and re-labeling operations. Assembly and manufacture of goods are carried out on a small scale in the Thessaloniki Free Zone. These FTZs may pose vulnerabilities for trade-based and other money laundering operations.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: Combination approach

Are legal persons covered: ***criminally:*** NO ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** NO

KYC covered entities: Banks, savings banks, and cooperative banks; credit companies, money remitters, financial leasing and factoring companies, money exchanges, and postal companies; stock brokers, investment services firms, and collective and mutual funds; life insurance companies and insurance intermediaries; accountants, auditors, and audit firms; tax consultants, tax experts, and related firms; real estate agents and companies; casinos (including internet casinos) and entities engaging in gaming activities; auctioneers, dealers in high value goods, and pawnbrokers; notaries, lawyers, and trust and company service providers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 3,318: January 1 – November 11, 2013

Number of CTRs received and time frame: Not available

STR covered entities: Banks, savings banks, and cooperative banks; credit companies, money remitters, financial leasing and factoring companies, money exchanges, and postal companies; stock brokers, investment services firms, and collective and mutual funds; life insurance companies and insurance intermediaries; accountants, auditors and audit firms; tax

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consultants, tax experts and related firms; real estate agents and companies; casinos (including internet casinos) and entities engaging in gaming activities; auctioneers, dealers in high value goods, and pawnbrokers; notaries, lawyers, and trust and company service providers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 178: January 1 - November 25, 2013

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** YES **Other mechanism:** YES

With other governments/jurisdictions: YES

Greece is a member of the FATF. Its most recent mutual evaluation report can be found at:

<http://www.fatfgafi.org/documents/documents/mutualevaluationofgreece.html>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Greece has been working to improve the effectiveness of the Greek financial intelligence unit (FIU). Although the FIU has technical and data management systems and capacities to support its functions, the government, due mainly to austerity measures, has not provided adequate financial resources to ensure the FIU is able to fulfill its responsibilities and that its powers are in line with international standards. It is also unclear whether the Ministry of Justice has enough resources available to deal with money laundering or terrorism financing cases.

Greece should take steps to ensure a more effective confiscation regime. While the AML/CFT law contains provisions allowing for civil asset forfeiture under special circumstances, Greek authorities advise it is not practical to initiate civil procedures and currently do not do so, except in cases involving the death of a suspect. Greece also should develop procedures for the sharing of seized assets with third party jurisdictions that assist in the conduct of investigations.

Greece requires transactions above €3,000 (approximately \$3,965) be executed with credit cards, checks or cashiers' checks, and all business-to-business transactions in excess of €3,000 (approximately \$3,965) be carried out through checks or bank account transfers. All credit and financial institutions, including payment institutions, also must report on a monthly basis all transfers of funds abroad executed by credit card, check, or wire transfer. Transfers in excess of €100,000 (approximately \$132,150) are subject to examination. Nevertheless, Greece should ensure its system for reporting large currency transactions is applied equally across all regulated sectors and explicitly abolish company-issued bearer shares. It also should continue to deter the smuggling of currency across its borders. Greece also should ensure companies operating within its FTZs are subject to the same level of enforcement of AML/CFT controls as other sectors. The government should ensure domestic PEPs are also subject to enhanced due diligence, ensure that designated non-financial institutions and professions are adequately supervised and subject to the same reporting requirements as financial institutions, and work to bring charitable and nonprofit organizations under the AML/CFT regime.

Grenada

Grenada's geographic location in the Caribbean places it in close proximity to drug shipment routes from South America to the United States and Europe. It is not a regional financial center.

As a transit point, money laundering in Grenada is principally related to smuggling and narcotics trafficking by local organized crime rings. Illegal proceeds are typically laundered through a variety of businesses, as well as through the purchase of real estate, boats, jewelry, and cars.

There remains no offshore banking in Grenada, although offshore banking and trust companies and international business companies are permitted. The International Companies Act requires registered agents to maintain records of the names and addresses of company directors and beneficial owners of all shares. Bearer shares are not permitted. Additionally, no casinos or internet gaming sites are in operation. There are no free trade zones in Grenada.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, investment and merchant banks, and building societies; trusts and trust companies; insurance companies; registered agents; exchange bureaus, money and funds remitters, and postal courier services; credit unions; lending, factoring, and forfeiting firms; check cashing services; financial leasing; venture risk capital; issuers and administrators of means of payment; guarantors; investment and funds traders, advisors, and underwriters; bullion dealers; financial intermediaries; custody services; asset management services; company formation and management services; collective investment schemes and mutual funds; real estate agents; casinos, internet gaming, pool betting, and lottery agents; lawyers, accountants, and notaries

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 145: January 1 – November 1, 2013

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks, investment and merchant banks, and building societies; trusts and trust companies; insurance companies; registered agents; exchange bureaus, money and

funds remitters, and postal courier services; credit unions; lending, factoring, and forfeiting firms; check cashing services; financial leasing; venture risk capital; issuers and administrators of means of payment; guarantors; investment and funds traders, advisors, and underwriters; bullion dealers; financial intermediaries; custody services; asset management services; company formation and management services; collective investment schemes and mutual funds; real estate agents; casinos, internet gaming, pool betting, and lottery agents; lawyers, accountants, and notaries

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 6 in 2013

Convictions: 2 in 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES **Other mechanism:** YES

With other governments/jurisdictions: YES

Grenada is a member of the Caribbean Financial Action Task Force (CFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: https://www.cfatf-gafic.org/index.php?option=com_docman&task=cat_view&gid=345&Itemid=418&lang=en

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In August 2013 the Government of Grenada passed the Grenada Citizen by Investment Act 2013 as a means to increase revenue in the economy. Currently, there are two levels of real estate investment, \$1 million for families and \$500,000 for individuals, to qualify for citizenship status.

During 2012 the Government of Grenada made substantial progress in improving its AML/CFT regime. Grenada passed the Financial Intelligence Unit Act that establishes its FIU and formally delineates its powers. To improve limited cash seizure, restraint, and forfeiture provisions, the Government of Grenada passed the revised Proceeds of Crime Bill. Under the new legislation, the Director of Public Prosecutions successfully applied for a confiscation criminal order in the Magistrates Court. This is the first confiscation order in the Eastern Caribbean. While the criminal confiscation provisions are an improvement on similar legislation passed in 2003, these provisions remain severely limited, including the lack of civil recovery provisions. Much work remains to be done to implement the new laws, regulations, and guidelines.

Grenada should become a party to the UN Convention against Corruption.

Guatemala

Guatemala is not considered a regional financial center. It continues to be a transshipment route for South American cocaine and heroin destined for the United States and for cash returning to South America. Smuggling of synthetic-drug precursors is also a problem. Reports suggest the narcotics trade is increasingly linked to arms trafficking.

Historically weak law enforcement agencies and judiciary, coupled with endemic corruption and increasing organized crime activity, contribute to a favorable climate for significant money laundering in Guatemala. According to law enforcement agencies, narcotics trafficking, corruption, and extortion are the primary sources of money laundered in Guatemala; however, the laundering of proceeds from other illicit activities, such as human trafficking, firearms, contraband, kidnapping, tax evasion, and vehicle theft, is substantial. Law enforcement agencies report that money laundering continued to increase during the year, especially by groups of air travelers heading to countries such as Panama with slightly less than the amount of the Guatemalan reporting requirement (\$10,000), and through a large number of small deposits in banks along the Guatemalan border with Mexico. In addition, lax oversight of private international flights originating in Guatemala provided an additional avenue to transport bulk cash shipments directly to South America. There is no indication of terrorist financing activities.

Guatemala's geographic location makes it an ideal haven for transnational organized crime groups, including human and drug trafficking organizations. The Central America Four Border Control Agreement between El Salvador, Guatemala, Honduras, and Nicaragua allows for free movement of the citizens of these countries across their respective borders without passing through immigration or customs inspection. As such, the agreement represents a vulnerability to each country for the cross-border movement of contraband and illicit proceeds of crime.

There is a category of "offshore" banks in Guatemala in which the customers' money (usually Guatemalans with average deposits of \$100,000) is legally considered to be deposited in the foreign country where the bank's head office is based. In 2013, there were seven "offshore" entities, with head offices in Panama, the Bahamas, Barbados, and Puerto Rico. These "offshore" banks are subject to the same AML/CFT regulations as any local bank. Guatemala has 16 active free trade zones (FTZs) and seven more are scheduled to start operations soon. FTZs are mainly used to import duty-free goods utilized in the manufacturing of products for exportation, and there are no known cases or allegations that indicate the FTZs are hubs of money laundering or drug trafficking. There are no reported hawala or other money or value transfer services operating in Guatemala. A significant number of remittances are transferred through banks and appear to pose little risk for money laundering.

Casinos are currently unregulated in Guatemala and a number of casinos, games of chance, and video lotteries operate, both onshore and offshore. Unregulated gaming activity presents a significant money laundering risk.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

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“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: **criminally:** YES **civilly:** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: **Foreign:** YES **Domestic:** YES

KYC covered entities: Banks and offshore banks; credit unions, finance, factoring and leasing companies; bonded warehouses; credit card companies, cooperatives, issuers, or payment agents; stock brokers; insurance companies; Institute of Insured Mortgages; money remitters and exchanges; pawn brokers; public accountants and auditors; casinos, raffles and games of chance; nonprofit entities; dealers in precious metals and stones, motor vehicles, and art and antiquities; and real estate agents

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 442: January 1 - October 31, 2013

Number of CTRs received and time frame: 6,943,424; January 1 - September 30, 2013

STR covered entities: Banks and offshore banks; credit unions, bonded warehouses, finance, factoring and leasing companies; credit card companies, cooperatives, issuers, or payment agents; stock brokers; insurance companies; Institute of Insured Mortgages; money remitters and exchanges; pawn brokers; public accountants and auditors, casinos, raffles and games of chance; nonprofit entities; dealers in precious metals and stones, motor vehicles, and art and antiquities; and real estate agents

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 33: January 1 – October 31, 2013

Convictions: 47: January 1 - October 31, 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** YES **Other mechanism:** YES

With other governments/jurisdictions: YES

Guatemala became a member of the Financial Action Task Force of South America (GAFISUD), a FATF-style regional body, in July 2013. It remains a member of the Caribbean Financial Action Task Force (CFATF). Its most recent mutual evaluation can be found at:

https://www.cfatf-gafic.org/index.php?option=com_docman&task=cat_view&gid=344&Itemid=418&lang=en

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Staffing of the FIU (IVE) increased over the last several years, as has the number of filed STRs. However, there are still relatively few convictions for money laundering, most of which are for illegal transport of cash. The limited capacity and number of both law enforcement officials and Public Ministry (i.e., the Attorney General's office) staff may hamper these authorities from enforcing the law and successfully prosecuting more cases.

In December 2009, former President Alfonso Portillo was indicted in the United States on one count of conspiracy to commit money laundering in the United States. On August 26, 2011,

Guatemala's Constitutional Court unanimously upheld the U.S. request to extradite him on that charge. On August 29, 2012, the Constitutional Court rejected a request from Portillo's lawyers for an injunction against former President Alvaro Colom's administrative approval of the extradition. Portillo was extradited to the United States on May 24, 2013.

A 2011 law prevents new businesses from issuing bearer shares of stock. The law requires any existing business with bearer shares to convert the shares to nominative by June 2013.

According to information from the Mercantile Registry, about 97 percent of businesses that issued bearer shares prior to the entry into force of this law made the conversion to nominative shares by the June 2013 deadline. Shareholders of businesses holding bearer shares after June 2013 are not able to exercise their rights nor carry out any procedure with the Mercantile Registry.

A 2010 regulation establishes limits for cash deposits in foreign currency, notably requiring more information and bank certification for transactions totaling over \$3,000 per month. According to law enforcement authorities, banks' purchases of foreign currency declined 13 percent in 2012, and increased 1.8 percent during the first nine months of 2013 in relation to the same period in the previous year.

On November 25, 2013, the Government of Guatemala added designated non-financial businesses and professions, covered previously only under the CFT law, as reporting entities subject to KYC rules and suspicious transaction reporting requirements. It also added public accountants and auditors as newly obligated entities. Guatemala's AML law does not cover all designated non-financial businesses and professions included in the international standards, in particular, lawyers. Notaries are covered under the CFT law, but no implementing procedures have been adopted for them. Under the CFT law, STR filing is optional for notaries.

The Government of Guatemala should put into force a gaming law to regulate the industry and reduce money-laundering potential. A draft gaming law is now under consideration by key members of Congress. In October 2012, the Guatemalan Congress approved an anti-corruption law that increases penalties for existing crimes and adds new crimes such as illicit enrichment and trafficking in influence. In addition, in October 2013, a transparency law was passed that, if implemented well, should aid in reducing corruption and increasing fiscal transparency.

Tipping off is not criminalized and there is no provision to protect STR filers from liability. Reportedly, covered entities expressed fear that there may be repercussions if they file reports. Guatemala should amend its AML/CFT legislation to include such provisions.

Guernsey

The Bailiwick of Guernsey (the Bailiwick) encompasses a number of the Channel Islands (Guernsey, Alderney, Sark, and Herm). As a Crown Dependency of the UK, it relies on the UK for its defense and international relations. While Alderney and Sark have their own separate parliaments and civil law systems, Guernsey's parliament legislates in matters of criminal justice for all of the islands in the Bailiwick. Guernsey is a financial center, and as such, there is a risk that proceeds of crime will be invested in or pass through the Bailiwick. As the majority of

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customers of Bailiwick businesses are based elsewhere, any such proceeds are likely to arise from foreign predicate offenses.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** NO

KYC covered entities: Banks, lending firms, financial instrument issuers and managers, and money service businesses; insurance companies and intermediaries; investment firms and funds; safekeeping and portfolio management services; trust and company service providers; lawyers, accountants, notaries, and estate agents; dealers of precious metals and stones; and e-gaming services

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 673 in 2012

Number of CTRs received and time frame: Not applicable

STR covered entities: All businesses

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 4 in 2012

Convictions: 4 in 2012

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO ***Other mechanism:*** YES

With other governments/jurisdictions: YES

In lieu of a mutual evaluation, a report was prepared by the IMF; the report can be found at:
<http://www.imf.org/external/pubs/ft/scr/2011/cr1112.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Bailiwick has been actively involved in the provision of formal mutual legal assistance for many years. The authorities consider themselves able to provide assistance without the need to enter into mutual legal assistance treaties, and this has enabled compliance with requests from a wide range of jurisdictions, including the United States, using the full range of investigatory

powers in the law. The legal framework provides an ability to freeze and confiscate assets in appropriate circumstances.

Guernsey's comprehensive AML/CFT legal framework provides a basis for an effective AML/CFT regime, and remaining shortcomings are technical in nature. While no weaknesses have been identified in the legal framework, concerns remain with respect to the implementation of the money laundering provisions. Given the size of the Bailiwick's financial sector and its status as an international financial center, the modest number of cases involving money laundering by financial sector participants and the small number of money laundering convictions raise questions concerning the effective application of money laundering provisions.

The Financial Intelligence Service (FIS) is a law enforcement type of financial intelligence unit (FIU). The FIS primarily performs a pre-investigative and intermediary role before disseminating relevant information not only to domestic authorities but also to counterpart FIUs.

Guernsey is a Crown Dependency and cannot sign or ratify international conventions in its own right unless entrusted to do so. Rather, the UK is responsible for the Bailiwick's international affairs and, at Guernsey's request, may arrange for the ratification of any convention to be extended to the Bailiwick. The UK's ratification of the 1988 UN Drug Convention was extended to include the Bailiwick in 2002; its ratification of the UN Convention against Corruption was extended to include Guernsey in 2009; and its ratification of the International Convention for the Suppression of the Financing of Terrorism was extended to Guernsey in 2008. The UK has not extended the UN Convention against Transnational Organized Crime to the Bailiwick.

Guernsey has legislation in place regarding UN sanctions measures, which are implemented by way of an Ordinance under the European Communities (Implementation) (Bailiwick of Guernsey) Law 1994.

Guinea

The lack of record-keeping, weak law enforcement, corruption, and the informal, cash-based economy in Guinea provide a fertile environment for money laundering and its predicate offenses. Additionally, there are a growing number of unauthorized currency dealers that resist government measures against unlicensed operators. Guinea has an extensive black market for smuggled goods, which includes illegal drugs trafficked from Guinea-Bissau and Sierra Leone. Local officials believe the sale of counterfeit currency in Guinea involves money laundering. Reportedly, certain segments of the large Lebanese expatriate community launder the proceeds of outside criminal activity by purchasing or constructing buildings in Guinea for immediate sale. Other money laundering methods used in Guinea include the purchasing of diamonds or gold for resale. Stolen cars from the United States are often destined for West African markets, including Guinea. Due to limited law enforcement capacity, Guinean authorities struggle to determine the nexus between illicit funds and criminal organizations, and possible links to terrorism financing.

Guinea is plagued by misappropriation of public funds; however, there are no investigations that have connected corrupt Guinean officials with laundering activities. Most illicit funds are

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transferred via a widespread and well established network of money transfer agents operating out of local markets. The only financial reporting that occurs is between local banks and the Central Bank of Guinea.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES

KYC covered entities: The Public Treasury, Central Bank, banks, currency exchanges and money remitters, microfinance institutions, insurance companies, the post office, real estate and travel agencies, auditors, service companies, cash couriers, non-governmental organizations (NGOs), lawyers, independent legal advisors, accountants, brokers, dealers, casinos, dealers in precious metals and stones, and notaries

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 10 in 2013

Number of CTRs received and time frame: Not applicable

STR covered entities: The Public Treasury, Central Bank, banks, currency exchanges and money remitters, microfinance institutions, insurance companies, the post office, real estate and travel agencies, auditors, service companies, cash couriers, NGOs, lawyers, independent legal advisors, accountants, brokers, dealers, casinos, dealers in precious metals and stones, and notaries

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: None

Convictions: None

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other mechanism:*** YES

With other governments/jurisdictions: YES

Guinea is a member of the Inter Governmental Action Group against Money Laundering in West Africa (GIABA), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.giaba.org/reports/mutual-evaluation/Guinee.html>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Guinea criminalized money laundering in 2007, but the Government of Guinea does not consider money laundering and drug trafficking to be high-priority issues. Although terrorism financing has yet to be criminalized in a way that comports with international standards, draft legislation is pending as of the end of 2013. Many types of entities are covered under the AML law, but its reporting and customer due diligence requirements are neither fully implemented nor properly enforced; and many covered entities are not subject to comprehensive supervision or regulation.

Guinea lacks the resources necessary for the proper surveillance of its porous borders. The situation is worsened by the Economic Community of West African States' principle of free movement of persons and goods. The country's openness to the sea and the existence of a large sea port provide a major economic opportunity, but also constitute risks that should be addressed by the authorities. Although some controls exist for cross-border currency tracking, they relate only to customs fraud. Customs officials have no authority to enforce AML/CFT controls. A 2012 law requires the declaration of any funds totaling more than \$10,000 being transported across borders.

Although institutions are in place to investigate money laundering and financial irregularities, they are hampered by corruption, political tension, and serious limitations of authority and scope. Guinea's fledgling financial intelligence unit (FIU), the CENTIF, was established by Presidential decree in October 2013 and is headquartered in the Central Bank, but is not operational as of the end of 2013. CENTIF, an autonomous agency, will eventually be responsible for overseeing all issues relating to money laundering. The small number of suspicious transaction reports (STRs) filed by financial institutions are sent to the Central Bank, where an ad hoc unit continues to have primary responsibility for their analysis and dissemination. The government should move quickly to identify appropriate office space for the CENTIF and hire and train necessary staff so that it can begin to assume its proper functions. The CENTIF committee members were named in the decree and will include representatives of the Ministry of Economy, police, Ministry of Justice, Ministry of Security and Civil Protection, Customs, and the Central Bank. Until CENTIF is fully operational, current oversight of money laundering issues is managed by the Director General of the Central Bank in charge of supervising financial institutions.

Corruption within the judiciary as well as funding shortages and ineffective law enforcement make it difficult for Guinea to cooperate fully with foreign governments to combat financial crime. Guinea has been cooperative with U.S. law enforcement efforts, to include ongoing cases with the U.S. Secret Service involving the sale of counterfeit U.S. currency. In August 2013, local police disrupted a small counterfeiting operation, which included the production of \$100 notes. Guinean authorities readily passed along all related information to the U.S. Secret Service. Guinea refused a criminal extradition to France in 2007 because of the likely involvement of high-level officials in a Guinean drug shipment seized in France.

Guinea should criminalize money laundering and terrorism financing in line with international standards and devote the resources necessary to implement a comprehensive legal and regulatory framework. Although Guinea has a tipping off provision, it only applies to the subject of an STR; it should be expanded to apply to disclosure to any third person. The government should

also strive to staff and train its law enforcement, FIU, judiciary, intelligence, and customs officials to recognize and combat financial crimes, including money laundering. Guinea should become a party to the UN Convention against Corruption and should strengthen its transparency, including by providing regular reporting on the status of the country's AML/CFT regime.

Guinea-Bissau

Guinea-Bissau continues to experience political disruptions due to the transit of narcotics and the flow of money related to the drug trade. The cohesion and effectiveness of the state itself is very poor; corruption and impunity are major problems and the judiciary has demonstrated its lack of integrity on a number of occasions. On April 8, 2010, the United States Department of the Treasury designated two Guinea-Bissau-based individuals – former Bissau-Guinean Navy Chief of Staff Jose Americo Bubo Na Tchuto and Air Force Chief of Staff Ibraima Papa Camara – as drug kingpins. On April 2, 2013, the U.S. Drug Enforcement Administration arrested Na Tchuto.

On May 18, 2012, the UNSC adopted resolution 2048 imposing a travel ban on five Bissau-Guinean military officers in response to their seizure of power from the civilian government on April 12, 2012. On May 31, 2012, the EU followed with a travel ban and freezes on the assets of the military junta members.

One of the poorest countries in the world, the value of the illicit narcotics trade in Guinea-Bissau is very large compared to the size of the Bissau-Guinean economy. Drug proceeds, often in U.S. dollars, circulate in Guinea-Bissau, albeit outside the formal financial system. Traffickers from Latin America and collaborators from the region continue to take advantage of the extreme poverty, unemployment, political instability, lack of effective customs and law enforcement, corruption, and general insecurity to make the country a major transit point for cocaine destined for consumer markets, mainly in Europe. A multitude of small offshore islands, upon or near which drug shipments may be dropped, and complicit officials and military officers able to sidestep weak and under-resourced enforcement efforts with impunity contribute to the problem. Transition President Nhamadjo has declared the problem a top priority for his administration, although no resources have been devoted to this effort, nor is there the capacity to take steps toward enforcement.

The formal financial sector in Guinea-Bissau is undeveloped, poorly supervised, and dwarfed by the size of the underground economy.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES

KYC covered entities: Banks, microfinance institutions, exchange houses, securities broker/dealers and firms, insurance companies, casinos, charities, nongovernmental organizations (NGOs), lawyers, accountants, and notaries

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 1: May 2013 - November 2013

Number of CTRs received and time frame: Not available

STR covered entities: Banks, microfinance institutions, exchange houses, securities broker/dealers and firms, insurance companies, casinos, charities, NGOs, lawyers, accountants, and notaries

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0

Convictions: 0

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* NO *Other mechanism:* NO

With other governments/jurisdictions: YES

Guinea-Bissau is a member of the Inter Governmental Action Group against Money Laundering in West Africa (GIABA), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.giaba.org/reports/mutual-evaluation/Guine-Bissau.html>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Guinea-Bissau has not fully implemented relevant international conventions against money laundering and terrorist financing, in large part because of underlying deficiencies in its AML/CFT regime; although scarce resources, weak border controls, and under-resourced and understaffed police are contributory factors. Guinea-Bissau has signaled its intention to adopt regulatory measures to implement the International Convention for the Suppression of the Financing of Terrorism, but has provided no specific timeframe for doing so.

The Anti-Money Laundering Uniform Law, a legislative requirement for members of the West African Economic and Monetary Union (WAEMU), has been adopted by Guinea-Bissau, but is still awaiting publication and so is not yet in force. Guinea-Bissau has yet to criminalize most of the designated predicate offenses and maintains entirely inadequate legal provisions for the conduct of customer due diligence on the part of Bissau-Guinean financial institutions. Article 26 of National Assembly Resolution No. 4 of 2004 stipulates that if a bank suspects money laundering it must obtain a declaration of all properties and assets from the subject and notify the Attorney General, who must then appoint a judge to investigate. The bank's solicitation of an

asset list from its client could amount to informing the subject of an investigation. In addition, banks are reluctant to file STRs for fear of alerting the subject because of allegedly indiscrete authorities. There is no record of investigations, prosecutions, or convictions for the offense of money laundering. Although the law establishes asset forfeiture authorities and provides for the sharing of confiscated assets, a lack of coordination mechanisms to seize assets and facilitate requests for cooperation in freezing and confiscation from other countries may hamper cooperation.

Guinea-Bissau's financial intelligence unit (FIU) is only partially functional, in part owing to a lack of both reliable resources and analytical staff. Nevertheless, in 2013, Guinea-Bissau's FIU responded to a request for information from another FIU in the region, conducted numerous sensitization and capacity-building programs for key stakeholders, and secured new and more suitable office space.

Guinea-Bissau lacks a framework for freezing terrorist assets pursuant to UNSCRs 1267 and 1373, although it has taken recent actions to support the creation of such a framework. The Bissau-Guinean Council of Ministers has approved a bill, which was before Parliament as 2013 closed, to validate the Portuguese translation of WAEMU Regulation 14 on the freezing of assets; approved a decree to designate the Ministry of Finance as the competent authority for the freezing of assets, although as 2013 closed it was still awaiting presidential signature; and agreed to designate the Ministries of Finance, Justice, the Interior, and Foreign Affairs as the Inter-Ministerial Committee on Asset Freezing.

Guinea-Bissau needs to improve the coordination of efforts at the national, sub-regional, regional, and international levels; reform the country's institutions; and conduct further internal investigations to gain an accurate understanding of the scale of the AML/CFT problem. Guinea-Bissau should continue to work with its bilateral and GIABA partners to establish and implement an effective AML/CFT regime. The Bissau-Guinean civil authorities and law enforcement agencies should work urgently to restore sovereignty, administer justice, and establish border controls. Guinea-Bissau should ensure the sectors covered by its AML law have implementing regulations and competent supervisory authorities. It also should implement fully its terrorism financing law, recruit technical staff for its FIU, and ensure the FIU's operational independence. It should work to improve the training and capacity of its police and judiciary to combat crimes. Guinea-Bissau should also undertake efforts to eradicate systemic corruption.

Guyana

Historically weak law enforcement and judiciary systems, coupled with endemic corruption and increasing organized crime activity, contribute to a favorable climate for significant money laundering in Guyana. Although narcotics trafficking and corruption are alleged to be the primary sources of laundered funds, the laundering of proceeds from other illicit activities, such as human trafficking, contraband, kidnapping, tax evasion, and vehicle theft, is substantial.

Guyana is neither an important regional or offshore financial center, nor does it maintain any free trade zones. Guyana's geographic location makes it an ideal haven for transnational organized crime groups, including human and drug trafficking organizations. It continues to be a

transshipment route for South American cocaine and heroin destined for the United States and for cash returning to South America. Smuggling of the precursors to methamphetamine is also a problem. In addition, there are reports that indicate the narcotics trade may be increasingly linked to arms trafficking involving Europe and the Western Hemisphere.

While the extent of the hawala system in Guyana is not known, there is a culture of using informal networks to move money between Guyana and the diaspora. For example, it is common to use cash couriers to move large sums of money from Guyana, or to move money using informal familial networks. Unregulated exchange houses pose a risk to the AML/CFT regime in the country, as they also are used both for the exchange of currency and to transfer funds to and from the diaspora. Finally, casinos are legal in Guyana and may pose a risk for money laundering.

In May and November 2013, the Caribbean Financial Action Task Force (CFATF) included Guyana in its Public Statement for showing insufficient progress in addressing AML/CFT deficiencies and not complying with its action plan to address those deficiencies by failing to approve and implement required legislative reforms. The CFATF called upon its members to consider instituting countermeasures to protect their financial systems from the money laundering/terrorism financing risks emanating from Guyana.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/i/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: **criminally:** YES **civilly:** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES
KYC covered entities: Depository institutions; lending institutions and credit issuers; financial leasing entities; money transfer and exchange services; pawn brokers; guarantors and underwriters; traders of foreign exchange, futures, options, and securities; financial advisers; money brokers; credit unions; portfolio managers and administrators; gaming centers and lotteries; insurance entities; venture risk capital; trusts or company service providers; legal professionals; real estate agents; dealers in precious metals and stones; and registered charities

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 805 in 2012
Number of CTRs received and time frame: 42,635 in 2012

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STR covered entities: Depository institutions; lending institutions and credit issuers; financial leasing entities; money transfer and exchange services; pawn brokers; guarantors and underwriters; traders of foreign exchange, futures, options, and securities; financial advisers; money brokers; credit unions; portfolio managers and administrators; gaming centers and lotteries; insurance entities; venture risk capital; trusts or company service providers; legal professionals; real estate agents; dealers in precious metals and stones; and registered charities

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0

Convictions: 0

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES **Other mechanism:** YES

With other governments/jurisdictions: YES

Guyana is a member of the Caribbean Financial Action Task Force (CFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.cfatf-gafic.org/mutual-evaluation-reports.html>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Although existing AML/CFT legislation gives the financial intelligence unit (FIU) authority to investigate alleged money laundering and terrorism financing, the FIU does not have the resources or capacity to conduct such investigations. The FIU also lacks a developed procedure to investigate suspicious activity reports from financial and other organizations. Suspicious activity reporting, wire transfers, and customer due diligence regulations should be strengthened and additional resources extended to the FIU. In November 2013, the government announced it was creating a Special Organized Crime Unit to conduct money laundering and terrorism financing investigations.

The Government of Guyana should designate the relevant authority responsible for asset forfeiture to implement fully Guyana's existing asset forfeiture laws. The Government of Guyana also should increase its efforts to implement its 2009 AML/CFT legislation. There have been no prosecutions under this legislation. The government should renew efforts to pass legislation enhancing the AML/CFT regime that was rejected by parliament in 2013.

The government is highly centralized and hierarchical, with significant decisions requiring presidential approval. This system discourages individual initiative and the exercise of individual discretion, slowing money laundering investigations. Guyana should raise the awareness and understanding of AML/CFT laws and practices within the judicial system and in agencies with the authority to investigate financial crimes.

Haiti

Haitian criminal gangs are engaged in international drug trafficking and other criminal and fraudulent activity, but do not at this time appear to be involved in terrorist financing. While Haiti itself is not a major financial center, regional money laundering enterprises utilize Haitian couriers, especially via air hub routes to Central America. Much of the drug trafficking in Haiti, as well as the related money laundering, is connected to the United States. Further, most of the identified money laundering schemes involve significant amounts of U.S. currency, and all property confiscations involve significant drug traffickers convicted in the United States.

Foreign currencies comprise 57.3 percent of Haiti's bank deposits, according to the Haitian Central Bank, likely due to the large influx of remittances, which reached \$1.6 billion in 2012.

The weakness of the Haitian judicial system and prosecutorial mechanism continue to leave the country vulnerable to corruption and money laundering, despite improving financial intelligence and enforcement capacity.

Haiti has two operational free trade zones in Ouanaminthe and Carrefour. There are at least 62 casinos in Haiti, the majority unlicensed; however, online gaming is illegal.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: List approach
Are legal persons covered: criminally: YES civilly: NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: NO Domestic: NO
KYC covered entities: Banks, casinos, securities dealers, insurance companies, notaries and attorneys, dealers in jewelry and precious metals, art dealers, real estate agents, automobile dealers, and money remittance institutions

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 179: January 1 - October 31, 2013
Number of CTRs received and time frame: 223,456: January 1 - October 31, 2013
STR covered entities: Banks, cooperatives, credit unions, currency exchanges, issuers of money orders, insurance companies, casinos, real estate firms, and accounting firms

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 1 in 2013

Convictions: 0

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES Other mechanism: NO

With other governments/jurisdictions: YES

Haiti is a member of the Caribbean Financial Action Task Force (CFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: https://www.cfatf-gafic.org/index.php?option=com_content&view=category&layout=blog&id=365&Itemid=550&lang=en

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In the past year, the Government of Haiti passed a new AML/CFT law that expands the obligation of suspicious transaction reporting to non-financial businesses and professions. The law criminalizes terrorism financing, establishes new reporting procedures for suspected terrorism financing, and enables freezing and seizing of terrorist funds. A Ministerial Council can order immediate freezing of funds of any UN-designated terrorist group or individual, and a court can order seizure of assets for any parties convicted of money laundering or terrorism financing. However, the law also weakens the independence of the Haitian FIU by subordinating the unit to an investigative judge, only allowing the FIU to accept suspicious reports under a legal investigation. This significantly limits the FIU's intelligence-gathering capacity and seriously compromises the efficacy of the STR reporting regime. Additionally, attorneys are specifically exempted from the obligation to report suspicious transactions.

In May 2013, the Senate passed an anti-corruption bill, which imposes prison sentences of 3-15 years for a host of newly codified crimes including bribery, embezzlement of public property, illegal procurements, and laundering of proceeds of crime. However, the legislation remains stalled in the Chamber of Deputies.

The FIU forwarded 10 cases to the judiciary in 2013; at least one prosecution was initiated. An investigating judge has two months from arrest to compile evidence, but there is no limit to the timeframe to schedule court dates, communicate with investigating agencies and prosecutors, and track financial data, meaning that investigations typically last at least a year.

Haiti should continue to devote resources to building an effective AML/CFT regime, to include continued support to units to investigate financial crimes and the development of an information technology system. The new AML/CFT law, despite strengthening the regulatory framework to combat financial crimes, undermines the independence and effectiveness of Haiti's FIU. The government remains hampered by ineffective and outdated criminal and criminal procedural codes, and by the inability of judges and courts to address cases referred for prosecution. Draft criminal and criminal procedural codes that would address these problems were approved by the Council of Ministers, but are now under review by a Presidential Commission; after the Commission's approval, the codes will go to Parliament for approval. Haiti also should take steps to establish a program to identify the cross-border movement of currency and financial instruments.

Holy See (Vatican City)

The Holy See is an atypical government, being simultaneously the supreme body of government of the Catholic Church, and a sovereign entity under international law. It operates from Vatican City State, a 0.44 square kilometers (0.17 square miles) territory created to provide a territorial basis for the Holy See. The Institute for Works of Religion (IOR) performs functions similar to that of a bank, so it is commonly referred to as the “Vatican Bank.” Unlike a normal bank, the IOR does not loan money, and IOR accounts do not collect interest; nor does the IOR make a profit for shareholders or owners. Rather, the IOR acts as a clearinghouse for Vatican accounts, moving funds from Catholic Church sources to Catholic Church destinations. Approximately 19,000 customers have accounts in the IOR; most of these people are bishops, religious groups, nuns, and clergy.

There is no market for illicit or smuggled goods in Vatican City, and there are no indications that trade or drug-based money laundering occurs in the jurisdiction. There are no indications of any ties to terrorism financing activity. The population of Vatican City, around 800, consists almost entirely of priests (Holy See officials) and members of religious orders.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: **criminally:** YES **civilly:** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES

KYC covered entities: All institutions, entities, or persons dependent on the Holy See, including Dicasteries of the Roman Curia and the IOR that perform financial activities on a professional basis, as well as non-governmental organizations, religious orders, convents, monasteries, charities, men and women religious, and diplomats assigned to the Holy See

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 105: January - September 2013

Number of CTRs received and time frame: Not available

STR covered entities: All institutions, entities, or persons dependent on the Holy See, including Dicasteries of the Roman Curia and the IOR that perform financial activities on a professional basis, as well as non-governmental organizations, religious orders, convents, monasteries, charities, men and women religious, and diplomats assigned to the Holy See

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0: January - September 2013

Convictions: 0: January - September 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO **Other mechanism:** YES

With other governments/jurisdictions: YES

The Holy See is a member of the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body. Its most recent mutual evaluation can be found at:

http://www.coe.int/t/dghl/monitoring/moneyval/countries/HolySee_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Holy See made steady progress in modernizing its financial legal framework in 2013, although it will take time to fully implement all the changes. On June 26, Pope Francis created the Pontifical Commission for the IOR to advise him on banking reform. Based on recommendations from international experts, Pope Francis issued a series of new laws, statutes, and procedures in July, August, and November, in order to bring their structures in line with international and European legal standards. These new laws clarify the Holy See's jurisdiction over financial crimes and the prudential supervisory role of the Financial Information Authority (AIF), the Holy See's financial intelligence unit (FIU). The laws make clear the AIF's autonomous role to regulate and prevent money laundering, and to report on suspicious transactions and cross-border transactions. The changes also update the Holy See's legal code to incorporate the standards set forth in the UN Convention against Corruption (UNCAC) and other UN Conventions. However, the Holy See is not yet a party to the UNCAC. These legal revisions, as well as earlier laws, fully criminalize money laundering and the financing of terrorism, and give the Holy See authorities sufficient powers to freeze, seize, and confiscate criminal funds and assets.

In May 2013 the IOR hired an auditing firm to revise its AML/CFT guidelines, standardize and improve reporting to the AIF, and review past transaction activity, resulting in the establishment of suspicious transaction report (STR) and currency transaction report (CTR) regimes and clear guidance on indicators of anomalous transactions. In 2013 the IOR and AIF also released their first annual reports, which include STR statistics. The system being put in place by the Vatican will help to prevent, deter, identify, and prosecute cases of individual malfeasance and money laundering.

The AIF became a member of the Egmont Group of FIUs on July 4, 2013. The AIF signed a memorandum of understanding (MOU) with the U.S. Financial Crimes Enforcement Network on May 7, 2013. It has also signed MOUs with other countries.

Vatican City State's Gendarmerie has responsibility for investigating financial crime and money laundering offenses. The Holy See addressed previous training deficiencies and Gendarmerie

officials received additional training in financial crimes in 2013. The Holy See should become a party to the UNCAC.

Honduras

Honduras is not an important regional or offshore financial center, but is a significant transit point for bulk cash smuggling. Money laundering in Honduras stems primarily from significant narcotics trafficking, particularly cocaine, throughout the region. Human smuggling of illegal immigrants into the United States and corruption also constitute sources of laundered funds.

Honduras' geographic location makes it an ideal haven for transnational organized crime groups, including human and drug trafficking organizations. The Central America Four Agreement among El Salvador, Guatemala, Honduras, and Nicaragua allows for free movement of the citizens of these countries across their respective borders without visas; however, citizens can be subject, when necessary, to immigration or customs inspections. The agreement represents a vulnerability to each country for the cross-border movement of contraband and proceeds of crime.

Money laundering in Honduras derives both from domestic and foreign criminal activity and the majority of proceeds are suspected to be controlled by local drug trafficking organizations and organized crime syndicates. Laundered proceeds typically pass directly through the formal banking system, and are known to pass through remittance companies, currency exchange houses, and the construction sector; laundering money through the automobile and real estate sectors is increasing. These factors, combined with the country's lack of resources for investigations and analysis, and corruption within the law enforcement and judicial sectors, contribute to a favorable climate for significant money laundering in Honduras. There is not a significant black market for smuggled goods, but there is some smuggling of items such as liquor, firearms, gasoline, illegally caught lobster, and cigarettes.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: **Foreign:** YES **Domestic:** YES

KYC covered entities: Banks, lending companies, and financial service companies; check cashers; issuers or processors of financial instruments, traveler's checks, or money orders;

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money transfer businesses; stock exchange, exchange houses, exchange posts; general deposit warehouses; public and private pension managers; insurance companies; casinos and gaming establishments

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 671: January 1 – November 30, 2013

Number of CTRs received and time frame: 111,964: January 1 – November 30, 2013

STR covered entities: Banks; insurance companies; money exchange or remittance services; cooperative institutions and financial societies; credit card issuers; securities firms; private or public pension funds; notaries; real estate intermediaries; car dealers; dealers in precious metals, jewels, art and antiquities; and lotteries and casinos

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 8 in 2013

Convictions: 6 in 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES Other mechanism: YES

With other governments/jurisdictions: YES

Honduras is a member of the Financial Action Task Force on Money Laundering in South America (GAFISUD), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.fatf-gafi.org/countries/d-i/honduras/documents/mutualevaluationofhonduras.html>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Honduras was a member of the Caribbean Financial Action Task Force (CFATF) until it became a member of the GAFISUD in July 2013. Its most recent mutual evaluation was conducted by CFATF.

Lack of data and systematic analysis makes it difficult for the Honduran government to identify trends in money laundering. The National Banking and Insurance Commission (CNBS) is the primary regulator for AML/CFT compliance. The CNBS' capacity to conduct compliance investigations is limited due to insufficient staff. Similarly, the financial intelligence unit (FIU), housed within the CNBS, is fully operational, but inadequately staffed. Low staffing levels combined with increased responsibilities delay response times for prosecutors' information requests. The CNBS supervises and controls the FIU's operations and budget, but does not interfere in its analytical duties.

Historically, lack of cooperation, communication, and coordination at all levels within the Government of Honduras obstructed a higher success rate in investigations and prosecutions, but the situation is improving. A Honduran interagency team planned and executed Operation Neptune, a nationwide asset seizure operation timed to coincide with the U.S. Department of the Treasury's Office of Foreign Assets Control designation of the Honduran drug trafficking

organization, Los Cachiros. The estimated total value of the real estate, bank accounts, vehicles, and businesses seized by the government is between \$500 million and \$800 million.

At the ministerial level, the Interagency Commission for the Prevention of Money Laundering and Financing of Terrorism (CIPLAFT) was created in 2004 to address AML/CFT challenges. During the current administration, the CIPLAFT took the lead in coordinating public offices that play a role in the implementation of the asset forfeiture law and money laundering controls.

Honduras should develop an integrated national strategy to support AML/CFT regime improvements. Insurance brokers, lawyers, and accountants are obligated to report suspicious transactions, but in practice, no reports are filed. The legality of bearer shares presents a significant money laundering vulnerability. The government should fully implement its laws requiring the establishment of a supervisory entity for designated non-financial businesses and professions and adopt implementing regulations to bring those entities under the AML/CFT regime. While mechanisms are in place to freeze terrorist assets, systematic inefficiencies and lack of capacity hinder timely action.

Hong Kong

Hong Kong, a Special Administrative Region (SAR) of the People’s Republic of China, is a major international financial and trading center. As of August 2013, Hong Kong’s stock market was the world’s sixth largest, with \$2.8 trillion in market capitalization. Already the world’s eighth largest banking center in terms of external transactions and the fifth largest foreign exchange trading center, Hong Kong has continued its expansion as an offshore renminbi (RMB) financing center, accumulating the equivalent of over \$116.4 billion in RMB-denominated deposits at authorized institutions as of August 2013. Hong Kong does not differentiate between offshore and onshore entities for licensing and supervisory purposes.

Hong Kong’s low tax rates and simplified tax regime, coupled with its sophisticated banking system, shell company formation agents, free port status, and the absence of currency and exchange controls present vulnerabilities for money laundering, including trade-based money laundering. Casinos are illegal in Hong Kong. Horse races, a local lottery, and soccer betting are the only legal gaming activities, all under the direction of the Hong Kong Jockey Club (HKJC), a non-profit organization. The HKJC’s compliance team collaborates closely with law enforcement to disrupt illegal gambling outlets. Government of Hong Kong officials indicate the primary sources of laundered funds—derived from local and overseas criminal activity—are fraud and financial crimes, illegal gambling, loan sharking, smuggling, and vice. They attribute a relatively low percentage of laundered funds to drug trafficking organizations.

For additional information focusing on terrorist financing, please refer to the Department of State’s Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN

THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: **criminally:** YES **civilly:** NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: **Foreign:** YES **Domestic:** YES
KYC covered entities: Banks, securities and insurance entities, money exchangers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 23,423: January 1 – September 30, 2013
Number of CTRs received and time frame: Not applicable
STR covered entities: All persons, irrespective of entity or amount of transaction involved

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 117: January 1 - September 30, 2013
Convictions: 107: January 1 - September 30, 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** YES **Other mechanism:** YES
With other governments/jurisdictions: YES

Hong Kong is a member of the FATF and the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.fatf-gafi.org/countries/d-i/hongkongchina/documents/mutualevaluationofhongkongchina.html>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In April 2012, Hong Kong strengthened its AML regime by enacting the Anti-Money Laundering and Counter-Terrorist Financing (AML/CFT, Financial Institutions) Ordinance, or AMLO, which mandates preventive AML measures, such as customer due diligence and record keeping requirements. Financial institutions that violate the statutory obligations under AMLO are subject to supervisory and/or criminal sanctions. AMLO also establishes a regulatory regime for remittance agents and money changers and provides statutory powers to financial regulators to supervise compliance. Hong Kong is currently evaluating the feasibility of a cross-border currency reporting system and has established a task force to conduct a national AML/CFT risk assessment.

Financial regulators, most notably the Hong Kong Monetary Authority, conducted extensive outreach, including at the highest corporate levels, to stress the importance of robust AML controls and highlight potential criminal sanctions implications for failure to fulfill legal obligations under AMLO.

Hong Kong should address the recent increase in the number of STRs submitted by financial institutions through allocation of sufficient analytical and investigative resources. Hong Kong also should establish threshold reporting requirements for currency transactions and put in place structuring provisions to counter efforts to evade reporting. As a major trading hub, Hong Kong should closely examine trade-based money laundering.

The United States and Hong Kong SAR are parties to the Agreement Between the Government of the United States of America and the Government of Hong Kong on Mutual Legal Assistance in Criminal Affairs, which entered into force in 2000. As a SAR of China, Hong Kong cannot sign or ratify international conventions in its own right. China is responsible for Hong Kong's international affairs and may arrange for its ratification of any convention to be extended to Hong Kong. The 1988 Drug Convention was extended to Hong Kong in 1997. The UN Convention against Corruption, the International Convention for the Suppression of the Financing of Terrorism, and the UN Convention against Transnational Organized Crime were extended to Hong Kong in 2006.

Hungary

Hungary is not considered a major financial center; however, its EU membership and location make it a link between the former Soviet Union and Western Europe. The country's primarily cash-based economy and well developed financial services industry make it attractive to foreign criminal organizations. Law enforcement has observed an increase in organized crime groups using Hungary as a base of operation for cyber-related fraud, and the use of shell companies and the banking system to launder the proceeds.

Hungary has been identified as a transit country for illegal drugs coming from Turkey and Asia and moving to other European destinations. Research suggests that, since entry into the EU's Schengen zone, this vulnerability has increased. Particular vulnerabilities may exist on the Hungarian-Ukrainian border related to tobacco smuggling and trafficking in persons.

Authorities believe money laundering cases mostly stem from financial and economic crimes, such as tax-related crimes, cyber-fraud, embezzlement, misappropriation of funds, and social security fraud. Illicit proceeds also result from narcotics trafficking, prostitution, trafficking in persons, and organized crime activities. Other prevalent economic and financial crimes include real estate fraud, forgery, and the copying/theft of bankcards. There is a black market for smuggled goods, primarily related to customs, excise, and value-added tax evasion. No international terrorist groups are known to operate in Hungary.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: **criminally:** YES **civilly:** NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: **Foreign:** YES **Domestic:** NO

KYC covered entities: Banks; investment service providers; employer pension services; commodity exchange services; insurance intermediary and mutual insurance fund services; sellers and issuers of international postal money orders; real estate agents and brokers; auditors; accountants; tax consultants and advisors; casinos, card rooms, online gaming; precious metal and high-value goods traders; lawyers; and notaries

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 11,196: January - October 2013

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks; investment service providers; employer pension services; commodity exchange services; insurance intermediary and mutual insurance fund services; sellers and issuers of international postal money orders; real estate agents and brokers; auditors; accountants; tax consultants and advisors; casinos, card rooms, online gaming; precious metal and high-value goods traders; lawyers; and notaries

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 15: January - May 2013

Convictions: 3: January - May 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** YES **Other mechanism:** YES

With other governments/jurisdictions: YES

Hungary is a member of the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body. Its most recent mutual evaluation can be found at:

http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Hungary_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In July 2013, the Hungarian parliament passed a series of amendments to the Criminal Code and the Act on the Prevention and Combating of Money Laundering and Terrorist Financing that represent significant legal and institutional changes. These new changes include a broader definition of money laundering, clear due diligence requirements and risk-based measures, and strict identification for bank accounts; mandates reporting obligations for financial and non-financial service providers; and details the authorities of the Hungarian Financial Intelligence Unit.

Nonetheless, in June 2013, the Hungarian parliament passed an amendment that paves the way for Hungarian citizens to open a special type of savings account to transfer foreign funds into the country without notifying tax authorities. According to the Ministry of Economy, the banks would record accountholders' personal identification data in accordance with due diligence rules, but not share the information with the tax office. At the present time, these types of accounts are not yet operational as they are pending additional regulations to be set by the Minister of Economy. Hungarian officials have stated that any legislation or regulation to establish such an account would include provisions to share pertinent account details with law enforcement in order to comply with AML legislation.

Iceland

Iceland is not considered a regional financial center. Money laundering in Iceland is related primarily to narcotics smuggling and underground casinos. Financial crimes concerning market manipulation have been prosecuted, but the scale of money laundering involved in such activities is not clear. Criminal proceeds tend to derive from domestic organizations with some linkages to foreign groups. The Economic Crime Unit at the National Commissioner of the Icelandic Police (NCIP), which merged with the Office of the Special Prosecutor (OSP) in 2012, continued investigations of criminal actions in connection with, or in the wake of, the 2008 collapse of Iceland's financial system.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** NO
KYC covered entities: Banks; currency exchanges; attorneys; trust, safekeeping, and company service providers; life insurance companies and pension funds; insurance brokers and intermediaries; securities brokers; and dealers of vessels or high-value items

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 491 in 2013
Number of CTRs received and time frame: Not available
STR covered entities: Banks; currency exchanges; attorneys; trust, safekeeping, and company service providers; life insurance companies and pension funds; insurance brokers and intermediaries; securities brokers; and dealers of vessels or high-value items

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 1 in 2012

Convictions: 1 in 2012

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO **Other mechanism:** YES

With other governments/jurisdictions: YES

Iceland is a member of the FATF. Its most recent mutual evaluation can be found at:

<http://www.fatf-gafi.org/documents/documents/mutualevaluationoficeland.html>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Iceland has improved its AML/CFT regime through the implementation and enforcement of existing laws, and should continue to enhance policies and procedures as appropriate. A domestic mechanism should be implemented to allow designation of terrorists at a national level as well as to give effect to designations and asset freeze requests from other countries. Iceland does have a legal framework that allows authorities to freeze terrorist assets in a timely manner; however, all orders to freeze assets must have prior judicial approval. The country does not have asset sharing capabilities.

The NCIP continues to operate the financial intelligence unit (FIU), which oversees AML/CFT matters. The FIU participates in the interagency committee on measures against money laundering. The FIU reports its primary challenge is a shortage of staff and funding. It continues to work with the commercial banks, life insurance companies, and securities brokers to educate its staff on AML matters.

Under Icelandic law, real estate agents and auditors are not subject to supervision by a public authority. The Government of Iceland should appoint supervisory authorities to effectively monitor these service providers, and they should be required to file suspicious transaction reports (STRs). Icelandic authorities have admitted the shortcomings, but have not yet found an effective and practical solution to the matter. The FIU should continue educating reporting entities regarding measures against money laundering. According to the FIU, even though considerable progress has been made in this area and most reporting parties now understand their obligations, non-financial institutions appear to lag in meeting the reporting requirements.

The NCIP faces some budgetary constraints based on the 2014 budget bill. The OSP budget will also be cut in 2014. According to OSP, the office expects to decrease its operations extensively in 2014, which will be its last operational year based on act No. 135/2008 on the OSP. The Ministry of the Interior has formed a special committee to decide the future of OSP's operations.

India

India is a regional economic power and financial center. Its economy has both formal and informal financial systems. India's extensive informal economy and remittance systems,

persistent corruption, onerous tax administration, and currency controls contribute to its vulnerability to economic crimes, including fraud, cybercrime, identity theft, money laundering, and terrorism financing. India's porous borders and location between heroin-producing countries in the Golden Triangle of Southeast Asia and Golden Crescent of Central Asia make it a frequent transit point for narcotics trafficking. Proceeds from Indian-based heroin traffickers is widely known to re-enter the country via bank accounts, the hawala system, and money transfer companies.

The high degree of corruption in Indian society both generates and conceals criminal proceeds. Illicit funds are often laundered through real estate, educational programs, charities, and election campaigns. The most common money laundering methods include opening multiple bank accounts, intermingling criminal proceeds with assets of legal origin, purchasing bank checks with cash, and routing funds through complex legal structures. Transnational criminal organizations use offshore corporations and trade-based money laundering (TBML) to disguise the criminal origin of funds; and companies use TBML to evade capital controls. Laundered funds are derived from narcotics trafficking, trafficking in persons, and illegal trade, as well as tax avoidance and economic crimes. Counterfeit Indian currency is also a significant problem. Criminal networks exchange high-quality counterfeit currency for genuine notes.

India remains a target of terrorist groups, both foreign and domestic. Several indigenous terrorist organizations coexist in various parts of the country; some are linked to external terrorist groups with global ambitions. Terrorist groups often use hawalas and currency smuggling to move funds from external sources to finance their activities in India. Indian authorities report they have seized drugs for sale in India purchased by India-based extremist elements from producers and/or trafficking groups in neighboring countries.

India has licensed seven offshore banking units (OBUs) to operate in Special Economic Zones (SEZs), which were established to promote export-oriented commercial businesses. As of November 2013, there were 176 SEZs in operation and 573 SEZs which have received formal approval, but have yet to start operations. Customs officers control access to the SEZs. OBUs essentially function as foreign branches of Indian banks, but with defined physical boundaries and functional limits. OBUs are prohibited from engaging in cash transactions, can only lend to the SEZ wholesale commercial sector, and are subject to the same AML/CFT regulations as the domestic sector.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: List approach

Money Laundering and Financial Crimes

Are legal persons covered: **criminally:** YES **civilly:** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: **Foreign:** YES **Domestic:** YES

KYC covered entities: Banks, merchant banks, and depositories; insurance companies; housing and non-bank finance companies; casinos; payment system operators, authorized money changers and remitters; chit fund companies; charitable trusts that include temples, churches, and non-profit organizations; financial intermediaries; stock brokers, sub-brokers, and share transfer agents; trustees, underwriters, portfolio managers, and custodians; investment advisors; foreign institutional investors; credit rating agencies; venture capital funds and collective schemes, including mutual funds; and the post office

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 31,317: April 2011 - March 2012

Number of CTRs received and time frame: 3,027,382: April 2011 - March 2012

STR covered entities: Banks, merchant banks and depositories; insurance companies; housing and non-bank finance companies; casinos; payment system operators, authorized money changers and remitters; chit fund companies; charitable trusts that include temples, churches, and non-profit organizations; financial intermediaries; stock brokers, sub-brokers, and share transfer agents; trustees, underwriters, portfolio managers, and custodians; investment advisors; foreign institutional investors; credit rating agencies; venture capital funds and collective schemes, including mutual funds; and the post office

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 7 in 2013

Convictions: 0

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** YES **Other mechanism:** YES

With other governments/jurisdictions: YES

India is a member of the FATF, as well as two FATF-style regional bodies, the Asia/Pacific Group on Money Laundering (APG) and the Eurasian Group on Combating Money Laundering and Terrorist Financing (EAG). Its most recent mutual evaluation can be found at:

<http://www.fatf-gafi.org/countries/d-i/india/>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

India has worked to implement an effective AML/CFT regime. The Government of India made significant changes to its legal framework to bring it into compliance with international standards. India brought domestic law in line with international standards by passing amendments to the Prevention of Money Laundering Act (PMLA) in November 2012. While the amendments to the PMLA widen the definition of money laundering, the government has not changed its enforcement model.

Deficiencies in India's AML/CFT regime remain. India should address noted shortcomings in both the criminalization of money laundering and terrorism financing, and the domestic framework of confiscation and provisional measures. The government should ensure all relevant sectors of designated non-financial businesses and professions comply with AML/CFT regulations.

Even with passage of the PMLA amendments, observers and law enforcement professionals express concern about effective implementation of the current laws. As of November 2013, the government had not won any court cases involving money laundering or confiscations. Law enforcement agencies typically open substantive criminal investigations reactively and seldom initiate proactive analysis and long-term investigations. Furthermore, while India has taken action against certain hawala activities, these successes generally stem from prosecuting primarily non-financial businesses that conduct hawala transactions on the side.

Levels of training and expertise in financial investigations involving transnational crime or terrorist-affiliated groups vary widely among the federal, state, and local levels, and depend on the particular jurisdiction's financial capabilities and perceived necessities. U.S. investigators have had limited success in coordinating the seizure of illicit proceeds with their Indian counterparts. While intelligence and investigative information supplied by U.S. law enforcement authorities have led to numerous money seizures, a lack of follow-through on investigative leads has prevented a more comprehensive offensive against violators and related groups.

India is taking steps to increase financial inclusion through "small [banking] accounts" and the issuance of a biometric-enabled universal identification "aadhar" number, but should consider further facilitating the development and expansion of alternative money transfer services in the financial sector, including mobile banking, domestic funds transfer, and foreign remittances. Such an increase in lawful, accessible services would allow broader financial inclusion of legitimate individuals and entities and reduce overall AML/CFT vulnerabilities by shrinking the informal network, particularly in the rural sector. India's current safe harbor provision is too limited and only protects principal officers/compliance officers of institutions who file STRs in good faith. India should extend its safe harbor provision to also cover staff or employees of institutions.

Indonesia

While Indonesia is neither a regional financial center nor an offshore financial haven, the country remains vulnerable to money laundering and terrorist financing due to gaps in financial system legislation and regulation, a cash-based economy, weak rule of law, and ineffective law enforcement institutions. Additionally, major indigenous terrorist groups, which obtain financial support from both domestic and foreign sources, are present in the country. These include Jemaah Islamiyah (JI), a loose network of JI spin-off groups, including Jemaah Anshorut Tauhid, and others. Members of internationally sanctioned terrorist groups are also present.

Most money laundering in Indonesia is connected to non-drug criminal activity such as corruption, illegal logging, theft, bank fraud, credit card fraud, maritime piracy, sale of counterfeit goods, gambling, and prostitution.

Indonesia has a long history of smuggling of illicit goods and bulk cash, made easier by thousands of miles of unpatrolled coastlines, sporadic and lax law enforcement, and poor customs infrastructure. Proceeds from illicit activities are easily moved offshore and repatriated as needed for commercial and personal use. While Indonesia has made some progress in combating official corruption via a strong yet embattled Corruption Eradication Commission, endemic corruption remains a significant concern and poses a challenge for AML/CFT regime implementation.

The FATF has included Indonesia in its Public Statement since February 2012, with the most recent statement issued October 18, 2013. While the FATF noted improvement in Indonesia's AML/CFT framework, Indonesia has failed to implement its action plan within the agreed upon timelines and lacks an adequate legal framework and procedures for identifying and freezing terrorist assets.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: Combination approach

Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES

KYC covered entities: Banks; finance companies; insurance companies and brokers; pension fund financial institutions; securities companies; investment managers; providers of money remittance; and foreign currency traders

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 35,198: January 1 - November 30, 2013

Number of CTRs received and time frame: 1,373,693: January 1 - November 30, 2013

STR covered entities: Banks and financing companies; insurance companies and brokers; pension fund financial institutions; securities companies, investment managers, custodians, and trustees; postal services as providers of fund transfer services; money remitters and foreign currency changers (money traders); providers of payment cards, e-money, and e-wallet services; cooperatives doing business as savings and loans institutions; pawnshops; commodities futures traders; property companies and real estate agents; car dealers; dealers of precious stones, jewelry, precious metals, art and antiques; and auction houses

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 24: January 1 - November 30, 2013

Convictions: 8: January 1 - November 30, 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO **Other mechanism:** YES

With other governments/jurisdictions: YES

Indonesia is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at:

<http://www.apgml.org/mutual-evaluations/documents/default.aspx?s=date&c=8b7763bf-7f8b-45c2-b5c7-d783638f3354&pcPage=3>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In February 2013, Indonesia passed CFT legislation, Law No. 9 of 2013 on the Prevention and Suppression of Terror Financing, which took effect on March 13, 2013. Indonesia's legislation provides some limited basis to freeze terrorist assets linked to the UN list of designated terrorists and terrorist organizations pursuant to UNSCR 1267, but the law is deficient, requiring a court-issued freeze order that is not without delay and giving the court discretion in implementing the freeze obligation. Indonesia also continues to lack an adequate mechanism to implement UNSCR 1373, and the prosecution of terrorism financing cases remains problematic. Police and prosecutors need additional training to be able to follow and convincingly explain the money trail in a court of law, and they lack experience in applying the new CFT law as a basis for prosecution and conviction. Judges need training on hearing money laundering and financial crime cases. Corruption, particularly within the police ranks, also impedes effective investigations and prosecutions.

Indonesia's FIU, known as the PPATK, works closely with the Indonesian Central Bank to oversee and implement Indonesia's AML regime. The October 2010 AML legislation imposed new reporting and analytical duties upon the PPATK, leading to concerns the agency would be overburdened. However, after three years of implementing the new legislation, the PPATK has successfully fulfilled its new duties and is in compliance with the new reporting requirements the AML legislation mandates. PPATK publishes detailed, lengthy reporting statistics on its website and also through a monthly publication highlighting the data it acquires and reports.

Iran

Although not an international financial hub, Iran has a large informal economy, characterized by sanctions evasion, restrictive taxation, widespread smuggling, currency exchange controls, and capital flight. Iran is a major transit route for opiates smuggled from Afghanistan or Pakistan to the Persian Gulf, Turkey, Africa, Russia, and Europe. At least 35 percent of opiates leaving Afghanistan enters or transits Iran for domestic consumption or for consumers in Russia, Africa, and Europe. Illicit proceeds from narcotics trafficking are used to purchase goods in the domestic Iranian market at discounted prices, often for exportation to and sale in Dubai. Iran's merchant community makes active use of money and value transfer systems, including hawala

and moneylenders. Counter-valuation in hawala transactions is often accomplished via trade, thus trade-based transactions are a prevalent form of money laundering. Many hawaladars and traditional *bazaari* are linked directly to the regional hawala hub in Dubai. Over 300,000 Iranians reside in Dubai, with approximately 8,200 Iranian-owned companies based there. There are reports that billions of dollars in Iranian capital have been invested in the United Arab Emirates, particularly in Dubai real estate. Iran's real estate market also is used to launder money. There is pervasive corruption within the ruling and religious elite, government ministries, and government-controlled business enterprises.

On November 21, 2011, the U.S. government identified Iran as a state of primary money laundering concern pursuant to section 311 of the USA PATRIOT Act. Widespread corruption and economic sanctions, as well as evasion of those sanctions, have undermined the potential for private sector growth and facilitated money laundering. The FATF has issued repeated public statements warning of Iran's failure to address the risks of terrorism financing and urging Iran to immediately and meaningfully address its AML/CFT deficiencies, specifically the financing of terrorism. The FATF urges jurisdictions around the world to impose countermeasures to protect their financial sectors from illicit finance emanating from Iran.

In 1984, the Department of State designated Iran as a State Sponsor of Terrorism. Iran continues to provide material support, including resources, guidance, and financial assistance to multiple terrorist organizations that undermine the stability of the Middle East and Central Asia, such as Hamas, Lebanese Hizballah, the Taliban, and Iraqi Shia militias. Hamas, Lebanese Hizballah, and the Palestinian Islamic Jihad (PIJ) maintain representative offices in Tehran, in part to help coordinate Iranian financing and training.

Iran has established an international banking network, with many large state-owned banks that have foreign branches and subsidiaries in Europe, the Middle East, Asia, and the Western Hemisphere. Their presence is diminishing because of UN, U.S., EU, and autonomous sanctions regimes and the FATF statements on Iran's lack of adequate AML/CFT controls. Iran is known to use its state-owned banks to channel funds to terrorist organizations and finance both its nuclear and ballistic missile programs. Many of the world's leading financial institutions have voluntarily chosen to reduce or cut ties with Iranian banks; and, in March 2012, some Iranian financial institutions were disconnected from the SWIFT international network to curtail their ability to send and receive international wires due to EU sanction violations. The United States has designated at least 20 banks and subsidiaries under counter-proliferation and terrorism authorities. Additionally, the UN has designated two banks.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: Not available

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* Not available *Domestic:* Not available

KYC covered entities: Central Bank, banks, financial and credit institutions, insurance companies (including the state regulator and reinsurance provider), interest-free funds, charitable organizations and institutions, municipalities, notaries, lawyers, accountants, auditors, authorized specialists of the Justice Ministry, and official inspectors

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not available

STR covered entities: Central Bank, banks, financial and credit institutions, insurance companies (including the state regulator and reinsurance provider), interest-free funds, charitable organizations and institutions, municipalities, notaries, lawyers, accountants, auditors, authorized specialists of the Justice Ministry, and official inspectors

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO Other mechanism: NO

With other governments/jurisdictions: Not available

Iran is not a member of any FATF-style regional body.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

For nearly two decades the United States has undertaken targeted financial actions against key Iranian financial institutions, entities, and individuals drawing on non-proliferation, counter-terrorism, human rights, and Iraq-related authorities that include legislation and more than a dozen Executive Orders (E.O.). To date, the Departments of State and Treasury have designated over 300 Iranian entities and individuals for proliferation-related activity, support for terrorism, and human rights abuses. Noteworthy actions taken against Iran under E.O.s include: 20 Iranian-linked banks located in Iran and overseas, designated in connection with proliferation activities; state-owned Iranian bank Bank Saderat and its foreign operations designated for funneling money to terrorist organizations; the Qods Force, a branch of the Iranian Revolutionary Guard Corps (IRGC), designated for providing material support to the Taliban, Hizballah, and the PIJ; and the Martyrs Foundation, also known as Bonyad Shahid, an Iranian parastatal organization that channels financial support from Iran to several terrorist organizations in the Levant, including Lebanese Hizballah, Hamas, and the PIJ, designated along with Lebanon- and U.S.-based affiliates.

Additionally, Iran has been the subject of several UNSCR and International Atomic Energy Agency resolutions for its failure to comply with its international nuclear obligations. UNSCR 1929 recognizes the potential connection between Iran's revenues derived from its energy sector and the funding of its proliferation of sensitive nuclear activities. In 2010, in recognition of that connection, the United States adopted the Comprehensive Iran Sanctions, Accountability, and Divestment Act, which makes sanctionable certain activities in Iran's energy sector, including the provision of goods and services for Iran's refined petroleum sector.

On December 31, 2011, the National Defense Authorization Act for Fiscal Year 2012 was signed into law. Under Section 1245 of the Act, foreign financial institutions that knowingly facilitate significant financial transactions with the Central Bank of Iran or with U.S.-designated Iranian financial institutions risk being cut off from direct access to the U.S. financial system. On August 10, 2012, the Iran Threat Reduction and Syria Human Rights Act of 2012 was enacted, expanding sanctions on Iran's energy sector and against human rights violators. This legislation builds upon the sanctions from previous U.S. legislation and UNSCRs.

In October 2007, the FATF issued its first public statement expressing concern over Iran's lack of a comprehensive AML/CFT framework. In February 2009, the FATF urged all jurisdictions to apply effective countermeasures to protect their financial sectors from the money laundering and terrorism financing risks emanating from Iran, and also stated that jurisdictions should protect against correspondent relationships being used to bypass or evade countermeasures or risk-mitigation practices. In October 2013, the FATF reiterated its call for countermeasures, urged Iran to immediately and meaningfully address its AML/CFT deficiencies – in particular, by criminalizing terrorism financing and effectively implementing suspicious transaction reporting requirements – and again urged all members and jurisdictions to advise their financial institutions to give special attention to business relationships and transactions with Iran, including Iranian companies and financial institutions.

Numerous countries around the world have restricted their financial and business dealings with Iran in response to both the UNSC measures on Iran as well as the FATF statements on Iran's lack of adequate AML/CFT controls. A growing number of governments have moved to designate Iranian banks, and many of the world's leading financial institutions have voluntarily chosen to reduce or cut ties with Iranian banks. Since February 2007, the EU also has adopted numerous measures to implement the UNSCRs on Iran and further protect the EU from Iranian threats. For example, in 2010, the EU adopted significant new measures against Iran, including new sanctions on several Iranian banks and the IRGC; enhanced vigilance by way of additional reporting and prior authorization for any funds transfers above a certain threshold amount; a prohibition on the establishment of new Iranian bank branches, subsidiaries, joint ventures, and correspondent accounts; and other restrictions on insurance, bonds, energy, and trade.

Iraq

Iraq's economy is primarily cash-based, and there is little data available on the extent of money laundering in the country. Narcotics trafficking and narcotics-based money laundering are not major problems. However, smuggling is endemic, often involving consumer goods, cigarettes,

and petroleum products. Bulk cash smuggling, trafficking in persons, and intellectual property rights violations also have been reported. Kidnappings for ransom and extortion are rampant. Terrorists' abuse of the country's financial system and territory is also occurring. Credible reports of counterfeiting exist. Trade-based money laundering, customs fraud, and other forms of value transfer allow criminal organizations the opportunity to earn, move, and store supporting funds and illicit proceeds under the guise of legitimate trade. Hawala networks, both licensed and unlicensed, are widely used for legitimate as well as illicit purposes. Corruption is a major challenge and is exacerbated by capacity constraints in public institutions, weak financial controls in the banking sector, and weak links to the international law enforcement community. U.S. dollars are widely accepted and are used for many payments.

Iraq has four free trade zones (FTZs): the Basra/Khor al-Zubair seaport; Ninewa/Falafel area; Sulaymaniyah; and al-Qaim, located in western Al Anbar province. Under the Free Trade Zone Authority Law goods imported or exported from the FTZs are generally exempt from all taxes and duties, unless the goods are to be imported for use in Iraq. Additionally, capital, profits, and investment income from projects in the FTZs are exempt from taxes and fees throughout the life of the project, including the foundation and construction phases. Trade-based money laundering is a significant problem in Iraq and the surrounding region. Iraq enacted a tariff law in 2010 with a higher tariff schedule. The government plans to begin phasing in the higher tariffs in 2014.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** NO ***Domestic:*** NO
KYC covered entities: Banks; managers and distributors of shares of investment funds; life insurance companies; securities dealers; money transmitters, hawaladars, and issuers or managers of credit cards and travelers checks; foreign currency exchange houses; asset managers, transfer agents, investment advisers; and, dealers in precious metals and stones

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 4 in 2013

Number of CTRs received and time frame: 1,320 in 2011

STR covered entities: Banks; managers and distributors of shares of investment funds; life insurance companies; securities dealers; money transmitters, hawaladars, and issuers or

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managers of credit cards and travelers checks; foreign currency exchange houses; asset managers, transfer agents, investment advisers; and, dealers in precious metals and stones

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 3 in 2012

Convictions: 3 in 2012

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO **Other mechanism:** YES

With other governments/jurisdictions: YES

Iraq is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.menafattf.org/images/UploadFiles/Final_Iraq_MER_Eng_31_12.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The AML Act of 2004, issued under Coalition Provisional Authority Order 93, and the only AML statute in Iraq, is very broad. However, the penalty under the 2004 law is only that of a misdemeanor. The Government of Iraq does not prosecute cases under this law because the law does not effectively criminalize money laundering. New draft AML/CFT legislation is currently under review by Iraq's Shura Council. After the Shura Council completes its review, the law will be circulated for review among the international community, then considered by the Council of Ministers followed by the Council of Representatives.

In October 2012, the Iraqi government formed the Financial Crimes Task Force (FCTF), a multi-agency body to coordinate investigations of suspected large-scale money laundering and terrorism financing. Reportedly, the FCTF is no longer functioning. In 2013, Iraq formed a high-level committee, chaired by the Acting Governor of the Central Bank, to follow up on noted deficiencies. The government should address these deficiencies as soon as possible.

Senior-level support and increased capacity for all parties are necessary to ensure AML/CFT cases can be successfully investigated and prosecuted. Investigators are frustrated when judges do not pursue their cases; similarly, judges claim the cases they receive are of poor quality and not prosecutable. In addition, the current lack of implementing legislation, weak compliance enforcement, and the need for more technical capacity at the Central Bank of Iraq's (CBI) Anti-Money Laundering Unit (AMLU), formerly known as the Money Laundering Reporting Office, all undermine Iraq's ability to counter terrorism financing and money laundering.

Although the CBI asserts the AMLU has appropriate operational independence, the AMLU does not have sufficient operational independence and autonomy, and is not adequately structured, funded, staffed, and provided with sufficient technical and other resources to fully and effectively perform its function. The AMLU staff lacks sufficient training, computer equipment, and software to receive, store, retrieve, and analyze data from the reporting institutions. Without a database, the AMLU staff must process the data received manually, as is common in other Iraqi government institutions. The AMLU is empowered to exchange information with other Iraqi and

foreign government agencies, but generally does not do so. Historically, the AMLU received little support from Iraqi law enforcement, but in 2011 the AMLU began participating in many of the government's investigations. Iraq should ensure the AMLU has the capacity, resources, and authorities to serve as the central point for collection, analysis, and dissemination of financial intelligence to law enforcement and to serve as a platform for international cooperation.

Regulation and supervision of the financial sector are still quite limited, and enforcement is subject to political constraints. It is not clear whether the Iraqi financial sector is aware of and understands noted AML/CFT deficiencies. In practice, despite customer due diligence (CDD) requirements, most banks open accounts based on the referral of existing customers and/or verification of a person's employment. Actual application of CDD and other preventive measure requirements varies widely across Iraq's 45 state-owned and private banks. In practice, very few STRs are filed. Banks are reluctant to file STRs and do not use the CBI's STR form consistently when they do file. Rather, most banks either conduct internal investigations or contact the AMLU, which executes an account review to resolve any questionable transactions. Iraqi authorities should work to increase reporting by financial institutions.

Although Iraq is a party to the UN Convention for the Suppression of the Financing of Terrorism, there is no formal mechanism in place to implement UNSCR 1267 and no legal mechanism to implement UNSCR 1373. Iraq should take steps to establish appropriate mechanisms. Iraq also should ensure adequate political and resource support for the FCTF and the AMLU to allow them to do their work effectively.

Ireland

Ireland continues to be a significant European financial hub, with a number of international banks and fund administration firms located in Dublin's International Financial Services Center. These institutions are monitored and regulated by the Central Bank of Ireland and are not considered to be a money laundering concern. The primary sources of funds laundered in Ireland are cigarette smuggling, drug trafficking, diversion of subsidized fuel, domestic tax violations, prostitution, and welfare fraud. While money laundering occurs via credit institutions such as banks, money has also been laundered through schemes involving remittance companies, lawyers, accountants, and used car dealerships. Other common schemes include the purchase of high-value goods for cash, transferring funds from overseas through Irish credit institutions, layering funds via complex company structures, and by basing foreign or domestic real property sales in Ireland. Customs authorities have also intercepted cash being smuggled out of Ireland, likely proceeds from drug trafficking. Organized criminal groups, often with foreign connections, are active in Ireland.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN

THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: **criminally:** YES **civilly:** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: **Foreign:** YES **Domestic:** YES

KYC covered entities: Banks, building societies, the Post Office, stock brokers, credit unions, bureaux de change, life insurance companies, insurance brokers, trust and company service providers, private gaming clubs, and lawyers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 12,390 in 2012

Number of CTRs received and time frame: Not available

STR covered entities: Banks, building societies, the Post Office, stock brokers, credit unions, bureaux de change, life insurance companies, insurance brokers, trust and company service providers, private gaming clubs, and lawyers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 12 in 2012

Convictions: 2 in 2012

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** YES **Other mechanism:** YES

With other governments/jurisdictions: YES

Ireland is a member of the FATF. Its most recent mutual evaluation can be found at:

<http://www.fatf-gafi.org/countries/d-i/ireland/documents/mutualevaluationofireland.html>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In recent years, the Government of Ireland has focused its attention on strengthening its AML/CFT legislative framework with the enactment of the Criminal Justice (Money Laundering and Terrorist Financing) Act 2010 and the Criminal Justice Act 2013. Among other provisions, they address customer due diligence provisions and other enhanced preventive measures; and expanding the scope of covered entities to include trust and company service providers, private gaming clubs, and barristers. Ireland also issued guidelines that expand on the provisions of the primary AML/CFT legislation.

Despite the above progress, there is still a low level of money laundering convictions in comparison to the volume of suspicious transaction reports (STRs) filed. Irish authorities estimate up to 80 percent of conclusive STRs filed with the financial intelligence unit involve funds derived from domestic tax violations and social welfare fraud.

Isle of Man

Isle of Man (IOM) is a British crown dependency, and while it has its own parliament, government, and laws, the UK remains constitutionally responsible for its defense and international representation. Offshore banking, manufacturing, and tourism are key sectors of the economy, and the government offers incentives to high-technology companies and financial institutions that locate on the island. Its large and sophisticated financial center is potentially vulnerable to money laundering. Most of the illicit funds in the IOM are from fraud schemes and narcotics trafficking in other jurisdictions, including the UK. Identity theft and internet abuse are growing segments of financial crime activity.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks; building societies; credit issuers; financial leasing companies; money exchanges and remitters; issuers of checks, traveler's checks, money orders, electronic money, or payment cards; guarantors; securities and commodities futures brokers; safekeeping, portfolio, and asset managers; estate agents; auditors, accountants, lawyers, and notaries; insurance companies and intermediaries; casinos and bookmakers; high-value goods dealers and auctioneers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 2,668 in 2011

Number of CTRs received and time frame: Not applicable

STR covered entities: All businesses

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 13 in 2011

Convictions: 12 in 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES ***Other mechanism:*** YES

With other governments/jurisdictions: YES

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Compliance with international standards was evaluated in a report prepared by the International Monetary Fund's Financial Sector Assessment Program. The report can be found at:
<http://www.imf.org/external/pubs/ft/scr/2009/cr09275.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Isle of Man legislation provides powers to constables, including customs officers, to investigate whether a person has benefited from any criminal conduct. These powers allow information to be obtained about that person's financial affairs. These powers can be used to assist in criminal investigations abroad as well as in the IOM.

A new Money Laundering and Terrorist Financing Code came into effect on May 1, 2013. The main purpose of the new code is to integrate the Proceeds of Crime (Money Laundering) Code 2010 and the Prevention of Terrorist Financing Code 2011. A separate code went into effect covering online gaming on the same date.

IOM is a Crown Dependency and cannot sign or ratify international conventions in its own right unless entrusted to do so. Rather, the UK is responsible for IOM's international affairs and, at IOM's request, may arrange for the ratification of any convention to be extended to the Isle of Man. The UK's ratification of the 1988 UN Drug Convention was extended to include IOM in 1993; its ratification of the UN Convention against Corruption was extended to include the IOM in 2009; its ratification of the International Convention for the Suppression of the Financing of Terrorism was extended to IOM in 2008; and its ratification of the UN Convention against Transnational Organized Crime was extended to the IOM on June 1, 2012. In 2003, the United States and the UK agreed to extend to the IOM the U.S. - UK Treaty on Mutual Legal Assistance in Criminal Matters.

Israel, the West Bank, and Gaza

Israel

Israel is not regarded as a regional financial center. It primarily conducts financial activity with the markets of the United States and Europe, and, to an increasing extent, with Asia. Criminal groups in Israel, either home-grown or with ties to the former Soviet Union, United States, or EU, often utilize a maze of offshore shell companies and bearer shares to obscure ownership. Israel's illicit drug trade is regionally focused, with Israel more a transit country than a market destination. The majority of money laundered originates from criminal activities abroad, including "carousel fraud," which takes advantage of international value-added tax loopholes. Proceeds from domestic criminal activity also continue to contribute to money laundering activity. Electronic goods; liquor; cigarettes; cell phones; and pharmaceuticals, especially Viagra and Cialis, have all been seized in recent smuggling operations. Officials continue to be concerned about money laundering in the diamond industry, illegal online gaming rings, retail businesses suspected as money laundering enterprises, and public corruption. The Director General of the Prime Minister's Office recently formed a committee to explore the possibility of reducing the overall supply of Israeli currency in circulation as part of an effort to combat both counterfeiting and money laundering activity.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach
Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: NO
KYC covered entities: Banking corporations, credit card companies, trust companies, stock exchange members, portfolio managers, and the Postal Bank

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 39,593: January 1 - November 3, 2013
Number of CTRs received and time frame: 1,185,610: January 1 - November 3, 2013
STR covered entities: Banking corporations, credit card companies, trust companies, members of the Tel Aviv Stock Exchange, portfolio managers, insurers and insurance agents, provident funds and the companies who manage them, providers of currency services, money services businesses, and the Postal Bank

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 43: January - November 2013
Convictions: 30: January - November 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES *Other mechanism:* YES
With other governments/jurisdictions: YES

Israel is a member of the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body. Its most recent mutual evaluation can be found at:

http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Israel_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Israel's "right of return" citizenship laws mean that criminal figures find it easy to obtain an Israeli passport without meeting long residence requirements. It is not uncommon for criminal figures suspected of money laundering to hold passports in a home country, a third country for business, and Israel.

Israel's Financial Intelligence Unit, under the Ministry of Justice's Israel Money Laundering Prohibition Authority, cooperates closely with the two bodies responsible for enforcement: the Israel Tax Authority's Anti-Drug and Money Laundering Unit, and the Israel National Police (INP). Israel cooperates on legal assistance and on extradition requests.

In October 2012, the INP conducted a joint investigation with the Department of Homeland Security targeting a criminal organization producing false and fraudulent identification documents. INP subsequently arrested two Israeli citizens and seized approximately \$1.3 million identified as laundered proceeds of the illicit scheme.

The West Bank and Gaza

The Palestinian Authority (PA) provides most governance, services, and security in "Area A" zones of the West Bank. The PA provides some governance and services in "Area B" zones of the West Bank, in which Israel retains security control. It has limited ability to access the approximately 60 percent of the West Bank designated as "Area C," which remains under full Israeli control. The PA has little ability to work in the Gaza Strip, which has been under de facto Hamas control since the 2007 coup. The Palestine Monetary Authority (PMA) is an independent agency of the PA and has oversight over Palestinian banks in the West Bank and Gaza. The PA currently has 17 banks, 10 of which are foreign, with 234 branch offices licensed to operate.

The Palestinian economy is primarily cash-based. There is little data available on the extent of money laundering in the West Bank or Gaza. Minor narcotics trafficking and narcotics-based money laundering are present, principally in Palestinian areas that fall outside of the PA's security control. Within territory located in Area A, narcotics trafficking and use are not major problems. The PA, however, has no effective control outside of Area A in the West Bank, which increases vulnerability to smuggling of consumer goods. Bulk cash smuggling, intellectual property rights violations, and counterfeit currency cases also have been reported. Trade-based money laundering, customs fraud, and other forms of value transfer allow criminal organizations to earn, move, and store supporting funds and illicit proceeds under the guise of legitimate trade. Currently, trade-based money laundering and customs fraud are among the largest money laundering threats to the PA. Hawala networks, both licensed and unlicensed, are widely used for legitimate as well as illicit purposes.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: List approach
Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: **Foreign:** YES **Domestic:** YES

KYC covered entities: Banks and other depository and lending institutions; money service businesses; financial leasing providers; funds transfer services; payment issuers; financial guarantors; trusts, and trust and company formation and service providers; foreign exchanges; securities and portfolio companies, managers, and intermediaries; insurers and insurance agents; the Future Contracts Trading Exchange Regulation Authority; real estate agents and brokers; dealers in precious metals and stones, high-value goods, and antiquities; attorneys and accountants; nominee shareholders; and entities providing a registered head office or commercial, store, mailing, or administrative address for a partnership or legal entity or arrangement

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 39 in 2013

Number of CTRs received and time frame: 385,355 in 2013

STR covered entities: Banks and other depository and lending institutions; money service businesses; financial leasing providers; funds transfer services; payment issuers; financial guarantors; trusts, and trust and company formation and service providers; foreign exchanges; securities and portfolio companies, managers, and intermediaries; insurers and insurance agents; the Future Contracts Trading Exchange Regulation Authority; real estate agents and brokers; dealers in precious metals and stones, high-value goods, and antiquities; attorneys and accountants; nominee shareholders; and entities providing a registered head office or commercial, store, mailing, or administrative address for a partnership or legal entity or arrangement

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 58 in 2013

Convictions: 3 in 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO ***Other mechanism:*** YES

With other governments/jurisdictions: YES

The PA is an observer to the Middle East and North Africa Financial Action Task Force (MENAFATF), a FATF-style regional body. The PA has not undergone a mutual evaluation.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The PA has effective laws and regulations to address money laundering, notably Anti-Money Laundering Law #9 of 2007 (AML Law). The penal code (which is Jordanian law) is outdated, and most of the predicate offenses for money laundering are not felonies under this law. The PA currently has no laws to specifically address terrorism, terrorist acts, or terrorism financing, per se, but amendments to address this lack in the AML Law currently are under consideration by the Cabinet and, once approved, could be signed into law by executive decree. Currently, cases considered terrorism are investigated and prosecuted under a specific crime and within the existing penal code, for example, crimes against the state, possession of illegal weapons, and conspiracy.

Although not a signatory, the PA has made efforts to implement the UNCAC. Although compliant with the UNTOC and the 1988 UN Drug Convention, the PA is not a signatory of these conventions. The PA is currently not in compliance with any UN convention related to terrorism, terrorist acts, or terrorism financing, or UN Resolutions 1267 or 1373.

KYC in the PA is controlled by AML Law and the PMA Law #2 of 1997. The PA has a very effective supervision and regulatory compliance function for financial institutions and non-financial businesses and professions (DNFBPs). The PMA is responsible for supervision and regulatory compliance of financial institutions and precious metal dealers. Recently, the PMA implemented effective controls over licensed money service businesses. The remaining DNFBPs are supervised by the Palestine Capital Market Authority.

The Financial Follow-Up Unit (FFU) is a fully functional financial intelligence unit with 16 employees and a computer system linking it with all 17 banks licensed to operate in the PA. The banks now file both suspicious transaction reports (STRs) and currency transaction reports (CTRs) electronically through this system. Filed reports decreased in 2013, as compared to 51 STRs and 389,317 CTRs filed in 2012. All covered entities must report any STR to the FFU. The FFU also has developed an Unusual Transaction Report (UTR), covering transactions that have not been articulated as suspicious but bear closer scrutiny. Although the FFU has adequate staffing, authority, and equipment, its full operational effectiveness has not been realized due, in part, to restrictions in the law. Article 31 of AML Law #7 of 2007 restricts information sharing between the FFU and any law enforcement agency, with the exception of the Attorney General's Office. This lack of ability to share information and support with law enforcement has minimized the FFU's function and ability to support law enforcement.

Prosecutors within the Attorney General Office (AGO) are the chief investigators in PA, with all the powers of an investigative judge. The prosecutors' lack of manpower and investigative experience has slowed the successful prosecution of AML cases. The PA has formed a multi-agency task force to address this problem, under which the AGO prosecutors will delegate authority to law enforcement agencies and to the FFU to more thoroughly investigate cases before they are brought before judges. The task force is expected to increase information sharing between law enforcement agencies and the FFU. Despite the noted problems, prosecutions increased in 2013 from 18 in 2012, as did convictions, of which there were none in 2012.

Italy

Italy's economy is large both in the European and global context. Its financial and industrial sectors are significant. The proceeds of domestic organized crime groups, especially the Camorra, the 'Ndrangheta, and the Mafia, operating across numerous economic sectors in Italy and abroad compose the main source of laundered funds. Numerous reports by Italian non-governmental organizations identify domestic organized crime as Italy's largest enterprise.

Drug trafficking is a primary source of income for Italy's organized crime groups, which benefit from Italy's geographic position and links to foreign criminal organizations in Eastern Europe, China, South America, and Africa. Other major sources of laundered money are proceeds from

tax crimes, smuggling and sale of counterfeit goods, extortion, corruption, and usury. Based on limited evidence, the major sources of money for financing terrorism seem to be petty crime, document counterfeiting, and smuggling and sale of legal and contraband goods. Italy's total black market is estimated to generate as much as 15 percent of GDP (\$330 billion). A sizeable portion of this black market is for smuggled goods, with smuggled tobacco a major component. However, the largest use of this black market is for tax evasion by otherwise legitimate commerce. Money laundering and terrorism financing in Italy occur in both the formal and the informal financial systems, as well as offshore.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** NO

KYC covered entities: Banks; the post office; electronic money transfer institutions; agents in financial instruments and services; investment firms; asset management companies; insurance companies; agencies providing tax collection services; stock brokers; financial intermediaries; lawyers; notaries; accountants; auditors; insurance intermediaries; loan brokers and collection agents; commercial advisors; trusts and company service providers; real estate brokers; entities that transport cash, securities, or valuables; entities that offer games and betting with cash prizes; and casinos

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 34,458: January 1 – June 30, 2012

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks; the post office; electronic money transfer institutions; agents in financial instruments and services; investment firms; asset management companies; insurance companies; agencies providing tax collection services; stock brokers; financial intermediaries; lawyers; notaries; accountants; auditors; insurance intermediaries; loan brokers and collection agents; commercial advisors; trusts and company service providers; real estate brokers; entities that transport cash, securities, or valuables; auctioneers and dealers of precious metals, stones, antiques, and art; entities that offer games and betting with cash prizes; and casinos

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 53: January 1 – October 31, 2013

Convictions: 29 in 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* YES **Other mechanism:** YES

With other governments/jurisdictions: YES

Italy is a member of the FATF. Its most recent mutual evaluation can be found at:
<http://www.fatf-gafi.org/countries/d-i/italy/documents/mutualevaluationofitaly.html>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Italy continues to combat the sources of money laundering and terrorism financing. The current government has undertaken a number of reforms to curb tax evasion and strengthen anti-corruption measures, and the government's fight against organized crime is ongoing.

In June 2013, Italy published its action plan to address the issue of beneficial ownership and committed to take a number of actions in order to enhance the transparency of companies and trusts. The Ministry of Finance and Economy (MEF) issued a decree on the identification of non-EU jurisdictions that have introduced requirements equivalent to those mandated in the EU; it is guidance for financial institutions and designated non-financial businesses and professions (DNFBPs) and does not override their risk analysis of transactions. The MEF and Italy's financial intelligence unit, the Financial Information Unit (FIU) issued, respectively, implementing provisions on how financial institutions have to deal with business relationship termination when the relevant customer due diligence (CDD) measures cannot be completed. The objective is to ensure the money trail is not lost in these cases and that suspicious transactions are properly reported to the FIU.

The Bank of Italy (BOI) issued the Instructions on Customer Due Diligence measures, in order to support banks and financial intermediaries in the definition of their CDD policies in accordance with the risk-based approach. The instructions provide guidance for proper identification and verification of customers and their beneficial owner(s), and for the implementation of an appropriate risk management system. In January 2014 the new regulations will require the application of enhanced CDD measures for domestic politically exposed persons (PEPs). The BOI also adopted the Instructions on the Electronic Data Base, requiring banks and other financial intermediaries to maintain data in order to register all business relationships and relevant transactions. Following a proposal by the FIU, the BOI issued indicators of anomalies for auditing firms and auditors who are responsible for statutory audits of entities of public interest, as defined by Article 16 of Legislative Decree 30 of 2010. They include, among others, banks, insurance companies, companies involved with asset management or issuance of financial instruments, electronic money institutions, financial intermediaries, management companies of regulated markets, and securities trading companies.

Although several actions taken in 2011 and 2012 were intended to increase the number of suspicious transaction reports (STRs) filed by DNFBPs, these entities continue to file less than

one percent of the STRs. Italy should continue to implement measures that will significantly increase the number of STRs from selected categories of these entities, especially from lawyers.

As in previous years, in 2013, the Guardia di Finanza, the primary Italian law enforcement agency responsible for combating financial crime and smuggling, cooperated on a number of occasions with various U.S. authorities in investigations of money laundering, bankruptcy-related crimes, and terrorism financing. The Central Directorate for Anti-Drug Services, a task force comprised of the Guardia di Finanza, Carabinieri, and the Italian National Police, also plays a central role in these efforts.

Jamaica

Money laundering in Jamaica is primarily related to proceeds from illegal narcotics and financial scams, and is largely controlled by organized criminal groups. Jamaica experienced an increase in financial crimes related to advance fee fraud (lottery scams) and cybercrime.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, credit unions, and merchant banks; exchange bureaus; wire transfer and remittance companies; mortgage companies; insurance companies; securities brokers, dealers, and other intermediaries; investment advisors

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 196,138 in 2013
Number of CTRs received and time frame: 134,888 in 2013
STR covered entities: Banks, credit unions, and merchant banks; exchange bureaus; wire transfer and remittance companies; mortgage companies; insurance companies; securities brokers, dealers, and other intermediaries; investment advisors

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 20 in 2013
Convictions: 1 in 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES Other mechanism: YES
With other governments/jurisdictions: YES

Jamaica is a member of the Caribbean Financial Action Task Force (CFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: https://www.cfatf-gafic.org/index.php?option=com_docman&Itemid=418&lang=en

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Lengthy delays in processing judicial orders hinder the effectiveness of the Jamaican court system. The Government of Jamaica should establish a financial crimes court to streamline the prosecutorial process specifically related to prosecution of money laundering and other financial crimes, forfeiture of criminally-acquired assets under the Proceeds of Crime Act, and terrorist financing cases.

In 2013, Parliament amended Jamaica's Proceeds of Crime Act to render illegal all cash transactions exceeding 1 million Jamaican dollars (approximately \$9,620). New regulations extending KYC and suspicious transaction reporting (STR) requirements to real estate dealers, casino and gaming machine operators, accountants, and lawyers will become effective in April 2014.

The Government of Jamaica's Financial Investigation Division has an application pending for membership in the Egmont Group of FIUs.

Japan

Japan is a regional financial center but not an offshore financial center. It has one free trade zone, the Okinawa Special Free Trade Zone, established in Naha to promote industry and trade in Okinawa. The zone is regulated by the Department of Okinawa Affairs in the Cabinet Office. Japan also has two free ports, Nagasaki and Niigata. Customs authorities allow the bonding of warehousing and processing facilities adjacent to these ports on a case-by-case basis.

Japan continues to face substantial risk of money laundering by organized crime, including Boryokudan (also known as Yakuza), Japan's organized criminal groups; Iranian drug trafficking organizations; extremist religious groups; and other domestic and international criminal elements. The major sources of laundered proceeds include drug and human trafficking, fraud, illegal money lending, remittance frauds, the black market economy, prostitution, and illicit gambling. Bulk cash smuggling also is of concern.

In the past several years, there has been an increase in financial crimes by citizens of West African countries, such as Nigeria and Ghana, who reside in Japan. There is not a significant black market for smuggled goods, and the use of alternative remittance systems is believed to be limited.

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For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES

KYC covered entities: Banks; credit, agricultural, and fishery cooperatives; insurance companies; securities firms; real estate agents and professionals; precious metals and stones dealers; antique dealers; postal service providers; lawyers; judicial scriveners; certified administrative procedures specialists; certified public accountants; certified public tax accountants; and trust companies

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 364,366 in 2012

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks; credit, agricultural, and fishery cooperatives; insurance companies; securities firms; trust companies; real estate agents and professionals; precious metals and stones dealers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** YES ***Other mechanism:*** YES

With other governments/jurisdictions: YES

Japan is a member of the FATF and the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at:

<http://www.fatf-gafi.org/media/fatf/documents/reports/mer/MER%20Japan%20full.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Japan's compliance with international standards is notably deficient. Japan has not yet fully addressed its inadequate criminalization of terrorist financing; lack of an adequate terrorist asset freezing regime; weak customer due diligence requirements; and failure to ratify the UN Transnational Organized Crime Convention.

In April 2011, Japan amended its basic AML law, the Criminal Proceeds Act (CPA), to improve customer due diligence requirements, including requiring financial institutions to identify the customer's name, address, and date of birth; and to verify the purpose of a transaction, business activities, and beneficial owners. These requirements came into effect in April 2013.

Japan has begun to implement a risk-based approach to AML/CFT. Following its investigation into three major Japanese banks' relations with organized crime organizations, the Financial Services Agency (FSA) implemented, in December 2013, a new financial monitoring policy for financial institutions. The policy calls on institutions to conduct enhanced due diligence for higher-risk customers, business relationships, and transactions, as well as to sever relationships with suspicious entities and individuals. This is an improvement over the April 2011 amendments to the CPA that called for financial institutions to verify a customer's assets and income in certain higher-risk situations, but only delineated those situations as being instances in which the use of false identity was suspected, rather than those presented by such factors as business type, customer location, or type of transaction.

The Government of Japan's number of investigations, prosecutions, and convictions for money laundering in relation to the number of drug and other predicate offenses is low, despite the many legal tools and programs available to combat these crimes. The National Police Agency (NPA) provides limited cooperation to other government agencies, and most foreign governments, on nearly all criminal, terrorism, or counter-intelligence related matters. Japan should develop a robust program to investigate and prosecute money laundering offenses and require enhanced cooperation by the NPA with its domestic counterparts and those in foreign jurisdictions.

Japan's system does not allow the freezing of terrorist assets without delay, and in practice the Ministry of Finance has frozen terrorist assets in only a few cases. Japan's system does not cover funds raised by a non-terrorist for use by a terrorist or terrorist organization, reaches only funds, not other kinds of assets, and is limited in its applicability to domestic transactions that do not involve foreign currency. The Japanese government should move quickly to enact legislation to allow terrorist assets to be frozen without delay and to expand the scope of assets to include non-financial holdings.

Japan should provide more training and investigatory resources for AML/CFT law enforcement authorities. As Japan is a major trading power, the government should take steps to identify and combat trade-based money laundering.

Japan should ratify the UN Convention against Transnational Organized Crime and the UN Convention against Corruption.

Jersey

Jersey, the largest of the Channel Islands, is an international financial center offering a sophisticated array of offshore services. Jersey is a self-governing British Crown Dependency with its own parliament, government, legal system, and jurisprudence. The UK is

constitutionally responsible for Jersey's defense and international representation, while the Island has autonomy in relation to its domestic affairs, including taxation and the regulation of its financial services sector. Jersey can negotiate international agreements within the parameters of Letters of Entrustment provided by the UK Government, and enter into such agreements in its own name, albeit that the UK remains ultimately responsible in international law for such agreements.

The financial services industry is a key sector, with banking, investment services, and trust and company services accounting for approximately half of Jersey's total economic activity. As a substantial proportion of customer relationships are with nonresidents, adherence to know-your-customer rules is an area of focus for efforts to limit illicit money from foreign criminal activity. Jersey also requires beneficial ownership information to be obtained and held by its company registrar. Island authorities have undertaken successful measures, as recent high profile cases have shown, to protect the financial services industry against the laundering of the proceeds of foreign political corruption.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** NO
KYC covered entities: Banks; money exchanges and foreign exchange dealers; financial leasing companies; issuers of credit and debit cards, traveler's checks, money orders and electronic money; securities brokers, dealers, advisers, and managers; safekeeping, trust, fund and portfolio managers; collective investment schemes; insurance companies and brokers; casinos; company service providers; real estate agents; dealers in precious metals and stones and other high value goods; notaries, accountants, lawyers, and legal professionals

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 1,749 in 2012

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks; money exchanges and foreign exchange dealers; financial leasing companies; issuers of credit and debit cards, traveler's checks, money orders and electronic money; securities brokers, dealers, advisers, and managers; safekeeping, trust, fund and portfolio managers; collective investment schemes; insurance companies and

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brokers; casinos; company service providers; real estate agents; dealers in precious metals and stones and other high value goods; notaries, accountants, lawyers, and legal professionals

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 5 in 2013

Convictions: 5 in 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* NO **Other mechanism:** YES

With other governments/jurisdictions: YES

In lieu of a mutual evaluation, a report was prepared by the IMF's Financial Sector Assessment Program. The report can be found at: <http://www.imf.org/external/pubs/ft/scr/2009/cr09280.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Money Laundering and Weapons Development (Directions) (Jersey) Law 2012 came into force on January 13, 2012. Under this law, the Minister for External Relations (MER) has the power to give a direction to a relevant person to require that person to undertake enhanced customer due diligence (CDD) measures, provide information and documents, or limit or cease a business relationship if one or more of the following conditions are met in relation to a country or territory outside Jersey: the FATF advises there is a risk of money laundering or terrorism financing in a country or territory; the MER reasonably believes there is a risk of money laundering or terrorism financing in a country or territory, by the government of a country or territory, or by persons resident or incorporated in a country or territory, that poses a significant risk to Jersey; the MER believes the development or production of weapons in a country or territory, or anything that facilitates such development or production, poses a significant risk to Jersey.

Jersey does not enter into bilateral mutual legal assistance treaties. Instead, it is able to provide mutual legal assistance to any jurisdiction, including the United States, in accordance with the Criminal Justice (International Co-operation) (Jersey) Law 2001 and the Civil Asset Recovery (International Co-operation) (Jersey) Law 2007. In 2012, the United States gave Jersey \$2 million in recognition of the role Jersey had played in freezing more than \$8 million found in a Jersey-based bank account – which action had cut off funding to a Colombian drug trafficking cartel.

Jersey, not being a sovereign state, cannot sign or ratify international agreements in its own right unless entrusted to do so by Letters of Entrustment provided by the UK Government, as is the case with tax information exchange agreements. Rather, the UK is responsible for Jersey's international affairs and, at Jersey's request, may arrange for the UK's ratification of any international instrument to be extended to Jersey. The UK's ratification of the 1988 UN Drug Convention was extended to include Jersey in 1998; its ratification of the UN Convention against Corruption was extended to include Jersey in 2009; and its ratification of the International Convention for the Suppression of the Financing of Terrorism was extended to Jersey in 2008. The UK has not extended the UN Convention against Transnational Organized Crime to Jersey.

Under the Terrorist Asset Freezing (Jersey) Law 2011 a person designated by the UN or the UK for terrorist purposes is automatically designated in Jersey, and any funds or economic resources of the designated persons are subject to asset freezes.

Jersey authorities have indicated concern regarding the increasing incidence of domestic drug-related crimes. The customs and law enforcement authorities devote considerable resources to countering these crimes.

Where reliance is placed on identification measures already performed by a third party (in accordance with criteria established in legislation), Jersey requires an obliged entity to obtain all necessary CDD information from that third party immediately at the beginning of a relationship. However, such information may not be required for an intermediary that is considered to present a lower risk. Jersey authorities should explicitly require that all obliged entities obtain all necessary CDD information from the intermediary or third party at the beginning of a relationship and should consider requiring relevant persons to perform spot-testing of an intermediary or third party's performance of CDD obligations.

Some concerns have been raised about the introduction of a law on foundations which appears to increase risks for secrecy and tax evasion. Authorities should ensure due diligence and public reporting requirements are strengthened for foundations. Jersey's authorities are considering how to strengthen requirements surrounding the maintenance of financial records.

Jordan

Although the Hashemite Kingdom of Jordan is not a regional or offshore financial center, it has a well-developed financial sector with significant banking relationships in the Middle East. Jordan's long and remote desert borders and proximity to Iraq, Syria, Saudi Arabia, and Israel and the West Bank make it susceptible to the smuggling of bulk cash, gold, fuel, narcotics, cigarettes, counterfeit goods, and other contraband. Incidents of reported money laundering are rare, and recent cases involve individual foreign and Jordanian actors laundering funds while in public office or employed by publicly-owned companies.

Smuggled goods remain a small but well-known part of daily transactions. Black market cigarettes are widely available, and there is little government effort to curb sales. Jordan Customs sometimes captures at the border drivers carrying cheaper gasoline from Saudi Arabia in false tanks. Smuggling endeavors tend to be small scale, and there is no discernible connection between black market goods and large scale crime, such as terrorism. Anecdotal reports also indicate Jordan's real estate sector has often been used to launder illicit funds.

There are six public free trade zones (FTZs) in Jordan: the Zarqa Free Zone, the Sahab Free Zone, the Queen Alia International Airport Free Zone, the Al-Karak Free Zone, the Al-Karama Free Zone, and the Aqaba Special Economic Zone (ASEZ). With the exception of Aqaba, these FTZs list their activities merely as trade. There are many designated private FTZs, a number of which are related to the aviation or chemical and mining industries. FTZ activities vary from industrial, agricultural, pharmaceutical, or vocational to multi-purpose. With the exception of

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ASEZ, all FTZs are regulated by the Jordan Free Zones Corporation Law and are monitored by the Ministry of Finance. The Aqaba Special Economic Zone Authority, a ministerial level authority, controls the port city of Aqaba.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES

KYC covered entities: Banks, exchange companies, and money transfer companies; securities brokers and investment and asset managers; credit and financial leasing companies; insurance companies, brokers, and intermediaries; financial management companies, postal services, and real estate and development entities; and traders of precious metals and stones

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 186: January 1 – December 31, 2013

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks, exchange companies, and money transfer companies; securities brokers and investment and asset managers; credit and financial leasing companies; insurance companies, brokers, and intermediaries; financial management companies, postal services, and real estate and development entities; and traders of precious metals and stones

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 3 in 2013

Convictions: 0 in 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES ***Other mechanism:*** YES

With other governments/jurisdictions: YES

Jordan is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.menafattf.org/TopicList.asp?cType=train>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Jordan's financial intelligence unit, the Anti-Money Laundering and Counter-Terrorist Financing Unit (AML/CFT Unit) continues to develop its capacity to address money laundering and terrorism financing. The AML/CFT Unit moved into its new upgraded offices in February 2013.

Prosecution of money laundering cases takes place in public courts. Prosecutions and convictions for money laundering in 2012 involved both the formal and informal financial sectors. The Jordanian Court of Cassation issued a final verdict in 2013 for a conviction in 2012. The case involved "money laundering, embezzlement and investing and abusing the job position." The convicted person was sentenced to 14 years and three months and fined 21 million JD (approximately \$30 million) in addition to confiscation of the proceeds of the crimes of 24 million JD (approximately \$34 million).

Kazakhstan

While not a regional financial center, the Republic of Kazakhstan has the most developed economy and financial system in Central Asia. Governmental corruption, an organized crime presence, and a large shadow economy make the country vulnerable to money laundering and terrorism finance. A significant part of Kazakhstan's mineral wealth is held in offshore accounts with little public scrutiny or accounting. The major sources of laundered proceeds are abuse of public office, tax evasion, and fraudulent financial activity, particularly transactions using shell companies.

Terrorist acts in recent years indicate an illicit turnover of arms and explosives of unknown origin. The funding source is unclear, as is the destination of the proceeds. In addition, smuggling of contraband goods and fraudulent invoicing of imports and exports by Kazakhstani businessmen is still a relatively common practice.

Casinos and slot machine parlors are only located in selected territories. The Agency for Sport and Physical Culture regulates the gaming sector and issues licenses to gaming businesses. Government oversight of such activities is unknown, as is the extent of the businesses' involvement in money laundering.

Outbound cross-border remittances have increased significantly over the past decade. According to World Bank research, outbound cross-border remittances from Kazakhstan were more than \$3.7 billion in 2012, more than 20 times the amount of inbound remittances. The volume of cross-border remittance flows is expected to continue to increase. Individuals and businesses wishing to avoid payment of taxes and duties often use informal channels, such as cross-border physical transportation of cash and hawala systems; similarly, migrant workers, who do not necessarily have the identification documentation that financial institutions require also use these systems. Authorities have not determined whether the formal and informal remittance systems are used to launder money.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: **criminally:** NO **civilly:** NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: **Foreign:** YES **Domestic:** NO

KYC covered entities: Banks, insurance companies and brokers, pension funds, exchange offices, auditors, notaries and lawyers, gaming centers, and professional participants in the securities market

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 255,433: January 1 – November 20, 2013

Number of CTRs received and time frame: 932,026: January 1 – November 20, 2013

STR covered entities: Banks and organizations that conduct banking transactions; stock exchanges; insurance and re-insurance companies and brokers; pension funds; professional participants in the securities market; central depositories; exchange offices and post operators that deal with fund transfers; lawyers and independent legal advisors; commodity stock exchanges; auditors and organizers of gaming businesses

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 67: January 1 - October 31, 2013

Convictions: 4: January 1 - October 31, 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** NO **Other mechanism:** YES

With other governments/jurisdictions: YES

Kazakhstan is a member of the Eurasian Group on Combating Money Laundering and the Financing of Terrorism (EAG), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.eurasiangroup.org/mers.php>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Kazakhstan's AML/CFT law does not cover pawnshops; micro-credit organizations; leasing organizations; entities dealing with jewelry and precious metals; financial management firms; travel agencies; or dealers of art, antiques, and other high-value consumer goods. These entities are not required to maintain customer information or report suspicious activity. The Government of Kazakhstan should ensure due diligence and reporting requirements are applied to these entities.

Sectorial regulatory agencies, rather than the financial intelligence unit, inspect all reporting entities subject to the AML/CFT law; most of those agencies, however, lack the resources and expertise to inspect reporting entities in terms of AML/CFT compliance. The National Bank adopted an AML/CFT inspection manual covering its reporting entities.

Strict segregation of duties among law enforcement agencies hampers the government's ability to detect, investigate, and prosecute money laundering crimes related to serious criminal offenses, including drug trafficking and trafficking in persons. The Financial Police is the only agency responsible for the investigation of suspected money laundering crimes. The Ministry of Interior investigates a wide range of predicate offenses, but does not typically examine the financial aspects of crimes. Kazakhstani law enforcement agencies have recognized the need for a more integrated and coordinated approach to the investigation of money laundering related to serious criminal offenses, perhaps through interagency investigative groups; however, during the first 10 months of 2013 the Financial Police did not conduct any joint money laundering investigations.

The government requires more resources to ensure the proper enforcement of its financial crimes regulations. It also should educate local institutions and personnel on further implementation of the AML/CFT law. Additionally, Kazakhstan should criminalize tipping off.

The criminal code provides for the mandatory seizure, in part or in whole, of property of any person convicted for miscellaneous predicate offenses, as defined in the code. Criminals make liberal use of straw owners or relatives, and since the burden of proof can be difficult to meet and investigative capacity is low, law enforcement agencies frequently do not attempt to determine the origin of assets during the initial stage of an investigation.

The law does not address the seizure of property of corresponding value or indirect benefits from the proceeds of a crime. During the first 10 months of 2013, police recovered \$16,736 from suspects accused of laundering approximately \$125,680 of illegal criminal proceeds in 67 criminal cases, a sharp decrease from 2012. Kazakhstan has no legal framework to allow the government to freeze terrorist assets in a timely manner; all asset freeze orders must have prior court approval. Kazakhstan also lacks a mechanism to share assets seized through joint or trans-border operations with other countries.

Kenya

Kenya remains vulnerable to money laundering and financial fraud. It is the financial hub of East Africa, and its banking and financial sectors are growing in sophistication. Money laundering and terrorism financing activity occurs in both the formal and informal sectors, and derives from both domestic and foreign criminal activity. Such activity includes transnational organized crime, corruption, smuggling, illicit trade in drugs and counterfeit goods, and wildlife trafficking.

Although banks, wire services, and mobile payment and banking systems are available to increasingly large numbers of Kenyans, there are also thriving, informal, and unregulated networks of hawaladars and other remittance systems that facilitate cash-based, unreported

transfers that the Government of Kenya cannot track. Foreign nationals, and in particular the large ethnic Somali resident and refugee populations, primarily use hawaladars to send and receive remittances internationally. Mobile payment and banking systems are increasingly important and make tracking and investigating suspicious transactions difficult, although they have the potential to facilitate investigations and tracking, especially compared to transactions executed in cash.

Kenya is a transit point for international drug traffickers. Trade-based money laundering is a problem in Kenya, though the Kenya Revenue Authority has made recent strides in improving internal monitoring and collection procedures. There is a black market for smuggled goods in Kenya, which serves as a major transit country for Uganda, Somalia, Tanzania, Rwanda, Burundi, eastern Democratic Republic of Congo, and South Sudan. Goods marked for transit to these northern corridor countries are not subject to Kenyan customs duties, but Kenyan authorities acknowledge that many such goods are often sold in Kenya. Many entities in Kenya are involved in exporting and importing goods, including nonprofit entities. Trade goods often are used to provide counter-valuation in regional hawala networks.

Kenya's proximity to Somalia makes it an obvious and attractive location for the laundering of certain piracy-related proceeds and a financial facilitation hub for al-Shabaab, a UN- and U.S.-designated group. The 2013 Westgate Mall attack, which resulted in the first cases being charged under Kenya's Prevention of Terrorism Act (POTA), demonstrates the critical importance of first responders, regulators, law enforcement, and prosecutors understanding legislative developments and continuing to develop their expertise to investigate and charge high impact cases, including terrorism financing and money laundering.

The FATF first included Kenya in its Public Statement in February 2010. Since that time, Kenya has made a number of substantive improvements to its AML/CFT regime; however, Kenya is still included in the October 18, 2013 FATF Public Statement because it has not made sufficient progress in implementing its action plan within the agreed timelines and continues to have certain strategic AML/CFT deficiencies.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All crimes approach
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES

KYC covered entities: Banks and institutions accepting deposits from the public; lending institutions, factors, and commercial financiers; financial leasing firms; transferors of funds or value by any means, including both formal and informal channels; issuers and managers of credit and debit cards, checks, traveler's checks, money orders, banker's drafts, and electronic money; financial guarantors; traders of money market instruments, including derivatives, foreign exchange, currency exchange, interest rate and index funds, transferable securities, and commodity futures; securities underwriters and intermediaries; portfolio managers and custodians; life insurance and other investment-related insurance underwriters and intermediaries; casinos; real estate agencies; accountants; and dealers in precious metals and stones

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 97: January - November 2013

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks and institutions accepting deposits from the public; lending institutions, factors, and commercial financiers; financial leasing firms; transferors of funds or value by any means, including both formal and informal channels; issuers and managers of credit and debit cards, checks, traveler's checks, money orders, banker's drafts, and electronic money; financial guarantors; traders of money market instruments, including derivatives, foreign exchange, currency exchange, interest rate and index funds, transferable securities, and commodity futures; securities underwriters and intermediaries; portfolio managers and custodians; life insurance and other investment-related insurance underwriters and intermediaries; casinos; real estate agencies; accountants; and dealers in precious metals and stones

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0

Convictions: 0

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO **Other mechanism:** YES

With other governments/jurisdictions: YES

Kenya is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a FATF-style regional body. Its most recent mutual evaluation report can be found at: http://www.esaamlg.org/reports/view_me.php?id=228

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Proceeds of Crime and Anti-Money Laundering Act (POCMLA), as amended, provides a comprehensive framework to address AML issues and contains appropriate sanctions. The POCMLA has never been used to prosecute financial crimes. Key implementing structures called for in the POCMLA, like the financial intelligence unit (FIU) and the Assets Recovery Agency, are working to improve their operational capabilities. While Kenya has notably improved its AML/CFT regime, the government must continue to work to effectively implement that regime, which has management and operational deficiencies.

The Financial Reporting Centre (FRC), Kenya's FIU, began receiving suspicious transaction reports (STRs) in October 2012. Nineteen of the 97 STRs submitted to the FRC since its inception have been disseminated to law enforcement agencies for further investigation and possible prosecution. The FRC's analytical ability and efficiency would improve with an automated system to aid in the analysis. Although the FRC receives STRs from some money and value transfer services, this sector is more challenging to supervise for AML/CFT compliance. The lack of regulation/supervision of this sector, coupled with a lack of reporting from certain reporting entities, contribute to the risks posed by this sector. Tracking, reporting, and investigating suspicious transactions outside the formal financial sector are more difficult for the Kenyan authorities than for those occurring within the formal financial sector.

To demand bank account records or to seize an account, the police must present evidence linking the deposits to a criminal violation and obtain a court order. The confidentiality of this process is not well maintained, meaning that account holders are often tipped off about such investigations and so are able to move their assets or contest the orders.

Kenya's criminal justice system is being overhauled. The government, and especially the police, must allocate appropriate resources and build sufficient institutional capacity and investigative skill to conduct complex financial investigations independently. Kenya also must address the bureaucratic impediments preventing it from pursuing these crimes. A primary impediment to implementation has been the severe lack of resources at the Office of Director of Public Prosecutions (ODPP). Until 2013, Kenya had only 74 public prosecutors, who were outnumbered by judges and magistrates. For example, in the metropolitan city of Kisumu, there are five High Court judges and 12 magistrates, but only five public prosecutors. As a result of the limited resources of the prosecutorial authorities, development of economic crime cases is limited. However, the ODPP hired nearly 100 prosecutors in late 2013, bringing its numbers to approximately 270. Additionally, the ODPP has appointed a new head of the counterterrorism unit in Nairobi, enabling this unit to increase its efforts to combat terrorism, money laundering, corruption, and cybercrime.

Kenya recently passed the Finance Act of 2013, which includes amendments to the POTA, to include expanding the scope of Kenya's criminalization of terrorism financing. In November 2013, Kenya issued regulations to implement the POTA, and therefore, its obligations pursuant to UNSCRs 1267 and 1373. With this law, Kenya has taken significant steps toward improving its compliance with international standards.

The POCAMLA provides for legal mechanisms to freeze, seize, and confiscate the proceeds of crime; however, this aspect of the law has not yet been used. The Prevention of Organized Crimes Act also provides for seizure of cash and property used by organized criminals to commit an illegal act.

Korea, Democratic Republic of

The Democratic People's Republic of Korea (DPRK or North Korea) has a history of involvement in currency counterfeiting, drug trafficking, and the laundering of related proceeds,

as well as the use of deceptive financial practices in the international financial system. The DPRK regime continues to present a range of challenges for the international community through its pursuit of nuclear weapons, weapons trafficking and proliferation, and human rights abuses.

Access to current information on the financial and other dealings of the DPRK is hampered by the extremely closed nature of its society. The economic practice of *juche*, a constitutionally enshrined ideology in North Korea characterized by the goals of independence and self-reliance, has contributed to minimizing transparency and international trade relations and discouraging foreign investment.

In October 2013, the FATF again stated its concerns about the DPRK's failure to address the significant deficiencies in its AML/CFT regime and reiterated the serious threat this poses to the integrity of the international financial system. The FATF reaffirmed its earlier call upon its members to advise their financial institutions to give special attention to business relationships and transactions with the DPRK, including DPRK companies and financial institutions. In addition to enhanced scrutiny, the FATF called upon its members and urged all jurisdictions to apply effective countermeasures to protect their financial sectors from money laundering and financing of terrorism (ML/FT) risks emanating from the DPRK. The FATF likewise called on jurisdictions to protect against correspondent relationships used to bypass or evade countermeasures and risk mitigation practices, and to take into account ML/FT risks when considering requests from DPRK financial institutions to open branches and subsidiaries in their jurisdictions. The FATF also urges jurisdictions to undertake additional measures and safeguards to ensure that sanctions related to proliferation-related UNSCRs are implemented effectively and robustly.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: Not available
Are legal persons covered: ***criminally:*** Not available ***civilly:*** Not available

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** Not available ***Domestic:***

Not available

KYC covered entities: Not available

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not available

STR covered entities: Not available

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO **Other mechanism:** NO

With other governments/jurisdictions: NO

The DPRK is not a member of a FATF-style regional body.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

There is little available information on the DPRK's financial system. The DPRK has never undertaken a review of its AML/CFT regime based on the international standards, and calls for the DPRK government to be involved in the mutual evaluation process have been unsuccessful.

In 2006, the DPRK adopted the Law on the Prevention of Money Laundering, which states that the DPRK has a "consistent policy to prohibit money laundering," but it is impossible to determine what standing this law has in the DPRK. The law is significantly deficient in most respects, and there is no evidence of an AML/CFT infrastructure in the DPRK capable of implementing the law. Lacking any type of sufficient AML/CFT regulatory authority, the DPRK cannot effectively supervise its financial institutions and enforce AML/CFT practices.

Moreover, although the law mentions effective monitoring and supervisory mechanisms, including powers to sanction financial institutions and other businesses and professions that do not comply with AML/CFT requirements, there is neither explanation for how this is achieved nor evidence of any established framework to implement sanctions.

The DPRK is party to a number of international conventions, including the 1988 UN Drug Convention. There is no evidence, however, that the DPRK has taken sufficient steps to properly implement provisions contained in the conventions. The DPRK became a party to the UN Convention for the Suppression of the Financing of Terrorism on July 25, 2013. There is no evidence of efforts to implement the UN resolutions relating to the prevention and suppression of the financing of terrorist acts, particularly UNSCRs 1267 and 1373.

Korea, Republic of

The Republic of Korea (South Korea) has an advanced economy that is dominated by large industrial companies. It is not an offshore banking center. While organized crime does not have a large profile, it is linked to the Japanese Yakuza, and there are reports that Korean criminals tried to connect with counterparts in the Chinese triads and Nigerian gangs. Most money laundering in South Korea is associated with domestic criminals, official corruption, and ethnic Koreans living abroad.

South Korean officials have uncovered numerous underground banking systems being used by South Korean nationals, North Korean defectors, and foreign national workers from China and Southeast Asian and Middle Eastern countries. Reports indicate North Korean defectors living in South Korea are sending more than \$10 million per year to family members in North Korea through illegal banking systems between South Korea and China.

Gambling is legal but highly regulated and limited to non-citizens. The country has six free economic zones (FEZs), with Incheon International Airport wholly incorporated into one of the zones. While companies operating in FEZs enjoy certain tax privileges, they are subject to the same general laws on financial transaction reporting as companies operating elsewhere in the country. Korea mandates extensive entrance screening to determine companies' eligibility to participate in FEZ areas, and firms are subject to standard disclosure rules and criminal laws.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: List approach
Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: NO Domestic: NO
KYC covered entities: Banks, exchange houses, stock brokerages, casinos, insurance companies, merchant banks, mutual savings banks, finance companies, credit unions, credit cooperatives, trust companies, and securities companies

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available
Number of CTRs received and time frame: Not available
STR covered entities: Banks, exchange houses, stock brokerages, casinos, insurance companies, merchant banks, mutual savings banks, finance companies, credit unions, credit cooperatives, trust companies, and securities companies

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES ***Other mechanism:*** YES
With other governments/jurisdictions: YES

Money Laundering and Financial Crimes

The Republic of Korea is a member of the FATF and the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.apgml.org/members-and-observers/members/member-documents.aspx?m=b9d16e34-607e-4850-8c92-3a6cdafa70254>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Korea Financial Intelligence Unit (KoFIU) is the primary agency responsible for implementing actions to stop money laundering and to combat the financing of terrorism. Presently, the KoFIU is concentrating on corporate and political fraud, but has started to look at organized crimes, including narcotics-related money laundering. U.S. law enforcement reports that the Korean National Police Agency has been very cooperative in joint money laundering investigations, as has the Korean banking sector.

On July 8, 2013 the KoFIU announced a revised bill for the Prohibition of Financing for Offenses of Public Intimidation Act, but it has not yet submitted the bill to the National Assembly. The term “financing for offenses of public intimidation” is used instead of “terrorist financing,” because there is no legal definition of terrorism in South Korea.

In 2013, South Korean prosecutors detained and charged a Korean American with the illegal transfer of approximately \$1 billion in restricted Iranian money frozen in South Korea pursuant to U.S. and international sanctions. The individual is suspected of making fraudulent transfers in 2011 from the Iranian central bank’s won-denominated account at a South Korean bank by using fake invoices for payment. The scale and volume of this laundering operation demonstrate the vulnerabilities associated with not fully applying sufficient AML/CFT controls to high-risk customers and jurisdictions.

The Government of the Republic of Korea should expand its active participation in international AML/CFT efforts by becoming a party to the UN Convention against Transnational Organized Crime.

Kosovo

Kosovo is not considered a regional financial or offshore center. The country has porous borders which facilitate an active black market for smuggled consumer goods, especially fuels, cigarettes and pirated products, largely along the Kosovo - Serbian border. According to the Customs Service, significant quantities of cigarettes and fuel are smuggled into the country. Kosovo is a transit point for illicit drugs. Proceeds of drug trafficking do not fund the black market of smuggled and pirated items.

Illegal proceeds from domestic and foreign criminal activity are generated from official corruption, tax evasion, customs fraud, organized crime, contraband, and other types of financial crime. Official corruption is believed to be a significant problem. Kosovo has a large informal economy. Most of the proceeds from smuggling activity are believed to be laundered directly

into the economy in areas such as construction and real estate, retail and commercial entities, banks, financial services, casinos, and trading companies.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks; money exchangers and remitters; securities brokers and service providers, portfolio and fund managers; insurance companies; issuers of traveler's checks, money orders, e-money, and payment cards; political parties; casinos; attorneys, accountants, notaries, and auditors; real estate agents; high-value goods dealers; non-governmental organizations (NGOs); and microfinance institutions

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 149: January 1 – November 1, 2013
Number of CTRs received and time frame: 1,544: January 1 – November 1, 2013
STR covered entities: Banks; money exchangers and remitters; securities brokers and service providers, portfolio and fund managers; insurance companies; issuers of traveler's checks, money orders, e-money, and payment cards; NGOs; political parties; casinos; attorneys, accountants, notaries, and auditors; real estate agents; and high-value goods dealers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0: January 1 – November 1, 2013
Convictions: 0: January 1 – November 1, 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other mechanism:*** YES
With other governments/jurisdictions: YES

Kosovo is not a member of a FATF-style regional body.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Kosovo adopted a National AML/CFT Strategy and Action Plan in September 2012. Kosovo law restricts all money laundering investigations in Kosovo to a relatively small unit in the prosecutor's office which focuses mostly on organized crime and corruption. However, recent amendments to the criminal procedure code allow all prosecutors to pursue seizures and confiscations of instrumentalities and proceeds for all types of crimes. An Economic Crimes Institute was created at the national police training academy in June 2013 and a National Coordinator for Economic Crime Enforcement is expected to be appointed in January 2014. This executive and his staff will monitor compliance with international AML/CFT standards and promote increased prosecutorial effectiveness. Legislative and regulatory amendments in 2013 grant full police powers to criminal investigators in the Tax Administration and authorize a national AML/CFT risk assessment.

The financial intelligence unit (FIU) operates with full-time liaisons assigned from all major law enforcement agencies and maintains electronic communication with financial institutions and government agencies. The FIU monitors covered entities for possible terrorism financing activity and works closely with the domestic intelligence community. It increased independently-generated cases referred to law enforcement from 50 in 2012 to 114 in 2013, and doubled responses to requests for information from law enforcement. The FIU shares regulatory compliance duties with the Central Bank AML Unit, which supervises all "financial institutions" as defined by Kosovar law. Each of these entities is making significant progress in addressing legislative and administrative challenges to comply with international AML/CFT standards. Foremost among these improvements is the implementation of extensive amendments to the AML law and over 20 sets of administrative instructions and sub-legal acts that, among other provisions, clarify the role of the Central Bank and its AML Unit, and authorize the FIU to conduct on-site examinations of designated non-financial businesses and professions (DNFBPs) and freely exchange information obtained at the international level. The measures also increase financial sanctions for failure to comply with the law and create criminal offenses for terrorism financing, making false statements, willfully failing to report required information, and intimidating a witness in connection with an STR.

Additional provisions address preventive measures by adding NGOs, political parties, construction companies, and dealers in precious metals to reporting entities; adding a requirement for reporting entities to incorporate a risk-based approach; requiring reporting entities to identify all beneficial owners with at least a 20 percent stake in the enterprise; prohibiting the use of anonymous bank accounts; clearly defining information required for wire transfers; establishing conditions for enhanced due diligence; clarifying requirements with respect to politically exposed persons (PEPs); prohibiting transactions involving shell banks or shell companies; adding a confidentiality requirement to DNFBP STRs; and updating AML requirements for casinos.

Kosovo's lack of UN membership, stemming from political disagreements with Serbia, is a limiting factor to the country's participation in regional bodies and organizations. Fortunately, the Central Bank was able to overcome this obstacle earlier this year and became the only non-UN member to obtain a SWIFT code, thereby greatly improving its ability to monitor international electronic transfers to domestic financial institutions.

Kuwait

Kuwait is not a regional financial center. As of June 30, 2013, the Central Bank of Kuwait reported total banking sector assets of \$207.8 billion. Currently 21 banks operate in Kuwait: five commercial banks, five Islamic banks, 10 branches of foreign banks, and the Kuwait Industrial Bank. Financial crimes, such as money laundering, remain concerns. Financial support to terrorist groups, particularly by individuals who operate outside of government-approved charitable-giving mechanisms, also continues to be a major concern.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Commercial and Islamic banks; insurance agents, brokers and companies; investment companies; money and foreign exchange bureaus; jewelry establishments, including gold, metal, and precious commodity traders; real estate agents/establishments; lawyers and auditing firms

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available
Number of CTRs received and time frame: Not available
STR covered entities: Commercial and Islamic banks; insurance agents, brokers, and companies; investment companies; money and foreign exchange bureaus; jewelry establishments, including gold, metal, and precious commodity traders; real estate agents/establishments; lawyers and auditing firms

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO ***Other mechanism:*** NO
With other governments/jurisdictions: YES

Kuwait is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a FATF-style regional body. Its most recent mutual evaluation report can be found at:

http://www.menafatf.org/images/UploadFiles/Mutual_Evaluation_Report_of_Kuwait.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

After years of anticipation, on May 26, 2013, Kuwait enacted landmark AML/CFT legislation through Kuwait Law 106 of 2013. When fully implemented, the legislation will bring Kuwait on par with international AML/CFT standards, but for it to be effective, Kuwait must undertake rigorous implementation and enforcement across the broad spectrum of financial and non-financial sectors to which it applies.

Kuwait Law 106 of 2013 provides new mandates and powers to the Government of Kuwait, including the criminalization of terrorism financing, the requirement to report suspected terrorism financing, and the legal basis to freeze terrorist assets without delay. While it provides the legal basis to freeze terrorist assets, the law does not provide for it to actually be done. For that, the process needs to be created in regulation.

Per the law's mandate, Kuwait became party to the UN International Convention for the Suppression of the Financing of Terrorism on July 11, 2013. It also calls for the creation of a new National Committee for Combating Money Laundering and Terrorist Financing, which will be comprised of the same members as the prior committee it will replace. Kuwait Decision 37 for 2013, issued on June 22, 2013, is an executive regulation that provides additional requirements and guidance to implement the law.

As of the end of 2013, Kuwait was finalizing regulations creating a new financial intelligence unit (FIU), which include defining the FIU's structure and lines of reporting. However, the FIU is not expected to be operational (i.e., receiving suspicious transaction reports (STRs)) until mid-to-late 2014. The new FIU will seek to establish cooperative agreements with other agencies and entities with which it will work.

Once the new FIU is operational, Kuwait will be poised to analyze and investigate AML/CFT cases. Toward that end, obliged entities in Kuwait have reported that they are upgrading their systems and processes, and are preparing to train their personnel to accommodate the implementation of the new law and its requirements.

Kyrgyz Republic

The Kyrgyz Republic is not a regional financial center. In 2013, remittances from migrant workers abroad, much of which moves as hard currency, comprised nearly 29 percent of the GDP. A large shadow economy, corruption, organized crime, and narcotics trafficking make the country vulnerable to financial crimes. Although no hard figures are available, it appears narcotics trafficking is the main source of criminal proceeds as the Kyrgyz Republic sits along a key "northern transit route" from Afghanistan to the Russian Federation, and Europe beyond. In addition, the smuggling of consumer goods, including fuel, tax and tariff evasion, and official

corruption continue to serve as major sources of criminal proceeds. Money laundering also occurs through trade-based fraud, bulk cash couriers, and informal and unregulated value transfer systems. Weak political will, resource constraints, inefficient financial systems, and corruption all serve to stifle efforts to effectively combat money laundering.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: *criminally:* NO *civilly:* YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* NO
KYC covered entities: Banks, credit institutions, stock brokerages, foreign exchange offices, insurance companies, notaries, attorneys, regulators, tax consultants and auditors, realtors, the state's property agency, trustees, jewelry stores and dealers, and customs officers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available
Number of CTRs received and time frame: Not available
STR covered entities: Banks, credit institutions, stock brokerages, foreign exchange offices, casinos, insurance companies, notaries, attorneys, regulators, tax consultants and auditors, realtors, the state's property agency, trustees, jewelry stores and dealers, and customs officers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2013
Convictions: 0 in 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* NO *Other mechanism:* YES
With other governments/jurisdictions: YES

The Kyrgyz Republic is a member of the Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.eurasiangroup.org/mers.php>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of the Kyrgyz Republic made a high-level political commitment to address its strategic AML/CFT deficiencies and has made significant progress. The government has substantially addressed its action plan, including by: adequately criminalizing money laundering and terrorism financing; establishing an adequate legal framework for identifying, tracing, and freezing terrorist assets; establishing adequate measures for the confiscation of funds related to money laundering; and strengthening customer due diligence requirements and the AML/CFT supervisory program for financial institutions.

Despite this progress, significant gaps still exist in enforcement and implementation. The AML statute established the Financial Intelligence Service (FIS), yet the procedures for investigation and enforcement are still underdeveloped, and there are virtually no investigations and prosecutions of money laundering or terrorism financing. Both government and private institutions lack personnel, training, and capacity to enforce the law and its attendant regulations. The FIS is not recognized by other government entities as a legitimate investigative agency, resulting in a lack of cooperation and information sharing across agency lines. The FIS says it sends prosecutable cases, which the prosecution service refuses to pursue; the prosecutors say they receive scant information from the FIS and requests to prosecute without sufficient evidence. There have been few criminal convictions for money laundering. The Kyrgyz banking sector is poised for increased money laundering, as oversight of the banking sector is weak, and law enforcement agencies lack the expertise and resources to monitor and investigate financial irregularities.

The threshold for mandatory currency transaction reporting is 1,000,000 som (approximately \$20,300). The government should adjust the threshold to a level that is more appropriate for commercial transactions in the country. An additional challenge to effective enforcement and investigation is the lack of criminal sanctions for legal entities involved in money laundering or terrorism financing activity.

The Government of the Kyrgyz Republic should provide additional personnel, resources, training, and other capacity building support to bodies authorized to investigate and prosecute money laundering, corruption, financial crimes, and terror finance.

Laos

Laos' booming economy, weak governance, and geographic position at the heart of mainland Southeast Asia combine to make it vulnerable to money laundering and terrorism finance activities. Domestic credit in Laos has grown by over 30 percent in each of the last six years. The financial sector in Laos is expanding rapidly and remains under-regulated, presenting an attractive target for money laundering. The gaming industry presents another probable money laundering opportunity in Laos. The most recent estimate, in July 2011, puts annual illicit drug proceeds in Laos at over \$750 million.

The combination of foreign investment, growing government revenues, and development assistance from donors led to unprecedented levels of public and private funds in 2013. Because of endemic corruption, there are concerns a large amount of this funding is stolen and later laundered. Bulk cash smuggling to Thailand, China, and Vietnam is likely occurring.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: Combination approach

Legal persons covered: criminally: NO civilly: NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: NO Domestic: NO

KYC covered entities: Banks; microfinance institutions; insurance companies; casinos, games, and lotteries; lending and finance companies; pawn shops; financial leasing companies; currency transfer companies; companies or agents for sales and management of payment instruments, credit cards, traveler's checks, and bank drafts; securities and investment companies, intermediaries, managers, and advisors; foreign exchange shops; dealers in precious metals and antiques; attorneys and notaries

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 60 in 2013

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks; microfinance institutions; insurance companies; casinos, games, and lotteries; lending and finance companies; pawn shops; financial leasing companies; currency transfer companies; companies or agents for sales and management of payment instruments, credit cards, traveler's checks, and bank drafts; securities and investment companies, intermediaries, managers, and advisors; foreign exchange shops; dealers in precious metals and antiques; attorneys and notaries

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0

Convictions: 0

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO ***Other mechanism:*** NO

With other governments/jurisdictions: YES

Laos is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.fatf-gafi.org/countries/j-m/laopeopledemocraticrepublic/>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

With donor assistance, the Bank of Laos (BOL) is drafting legislation and comprehensive provisional measures to combat money laundering. The BOL's Anti-Money Laundering Intelligence Unit (AMLIU), the financial intelligence unit (FIU), is drafting a Memorandum of Understanding on Intelligence Information Exchanges with the Economic Crimes Police Department.

Lao legislation does not contain enforceable KYC provisions. Other than banks, most covered entities required to file suspicious transaction reports (STRs) remain unsupervised. Additionally, although Lao law directs the gaming industry to report suspicious transactions, the FIU has yet to receive any. The AMLIU and banks have the means to detect and refer money laundering cases to the Economic Police, but Government of Laos leadership appears uninterested in following through on investigations. Coordination among the BOL, Ministry of Finance, law enforcement entities, and the banking industry should be improved, with the goal of successful prosecution of at least one money laundering offense in 2014.

The government requires enhanced due diligence for “high-risk personalities,” but does not adequately define the term. Laos should clearly define high-risk persons, to include politically exposed persons (PEPs) and others having a high-risk profile.

Terrorist financing is still not criminalized, and, although STRs are rising, there has still never been a money laundering investigation or prosecution in Laos. It is unknown if terrorist financing occurs in Laos; in any case, Laos continues to lack the legal means to address it. There is no protection against liability for individuals reporting suspicious activity, nor is tipping off suspects criminalized. The government should develop and implement safe harbor protection rules and criminalize tipping off.

Laos lacks a clear legal and procedural framework for the seizure of assets. The Lao criminal code and drug laws refer to the right of the state to seize assets of convicted drug traffickers, but the legal and procedural processes are not specific. The government should implement an asset forfeiture regime that includes a system for accounting for forfeited assets and for ensuring they are disposed of in accordance with the law.

Latvia

Latvia is a regional financial center with a large number of commercial banks and a sizeable non-resident deposit base. Total bank deposits have increased in the past year, with non-residential deposits increasing by eight percent and comprising 49.5 percent of total bank deposits as of November 2013. The scope of the “shadow” (untaxed) economy, estimated at around 21 percent of the overall economy; geographic location; and public corruption make it challenging to combat money laundering.

Local officials do not consider proceeds from illegal narcotics to be a major source of laundered funds in Latvia. Authorities report that the primary sources of money laundered in Latvia are tax evasion; organized criminal activities, such as prostitution, tax evasion, and fraud perpetrated by

Russian and Latvian groups; and other forms of financial fraud. Officials also report that questionable transactions and the overall value of laundered money have remained below pre-financial crisis levels. Latvian regulatory agencies closely monitor financial transactions to identify instances of terrorism financing. Public corruption remains a problem in Latvia. There is a black market for smuggled goods, primarily cigarettes, alcohol, and gasoline; however, contraband smuggling does not generate significant funds that are laundered through the financial system.

Four special economic zones provide a variety of significant tax incentives for manufacturing, outsourcing, logistics centers, and the transshipment of goods to other free trade zones. The zones are covered by the same regulatory oversight and enterprise registration regulations that exist for other areas.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/i/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: **criminally:** YES **civilly:** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: NO

KYC covered entities: Banks, credit institutions, life insurance companies, and

intermediaries; private pension fund administrators, investment brokerage firms, and management companies; currency exchange offices, payment service providers or other money transmission or remittance offices, and e-money institutions; tax advisors, external accountants, and auditors; notaries, lawyers, and other independent legal professionals; trust and company service providers; real estate agents or intermediaries; organizers of lotteries or other gaming activities; persons providing money collection services; EU-owned entities; and any merchant, intermediary, or service provider, where payment for goods or services is accepted in cash in an amount equivalent to or exceeding 15,000 EUR (approximately \$20,000)

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 18,409; January 1 - November 30, 2013

Number of CTRs received and time frame: 11,051; January 1 - November 30, 2013

STR covered entities: Banks, credit institutions, life insurance companies, and intermediaries; private pension fund administrators, investment brokerage firms, and management companies; currency exchange offices, payment service providers or other money transmission or remittance offices, and e-money institutions; tax advisors, external

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accountants, and auditors; notaries, lawyers, and other independent legal professionals; trust and company service providers; real estate agents or intermediaries; organizers of lotteries or other gaming activities; persons providing money collection services; any merchant, intermediary or service provider, where payment for goods or services is accepted in cash in an amount equivalent to or exceeding 15,000 EUR (approximately \$20,000); and public institutions

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 10: January 1 - June 30, 2013

Convictions: 8: January 1 - June 30, 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES **Other mechanism:** YES

With other governments/jurisdictions: YES

Latvia is a member of the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body. Its most recent mutual evaluation report can be found at:
http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Latvia_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Latvian Financial and Capital Market Commission (FCMC) has prepared amendments to the law to eliminate exemptions from customer due diligence procedures. Under Latvian law, foreign politically exposed persons (PEPs) are always subject to enhanced due diligence procedures, but domestic PEPs are not; the Latvian government should adopt the FCMC amendments to change this.

On May 31, 2013, at the request of the Bureau to Prevent and Combat Corruption Prevention (KNAB), the Prosecutor General's Office (PGO) brought criminal charges against former Riga City Council Housing and Environment Department Chief Arija Stabina for accepting bribes. KNAB conducted 14 property searches and arrested seven people, including Stabina and two other Riga City Council employees. KNAB has accused the Riga City Council officials of accepting bribes from residents in exchange for placement in municipal housing. Stabina was released on bail; however, authorities have not been able to locate her since June 2013. On July 22, the PGO issued a European Arrest Warrant for Stabina.

On June 18, following an inspection of internal control procedures in six Latvian banks, FCMC imposed the maximum fine of \$200,000 on an unnamed bank for its involvement in money laundering related to the assets of Russian lawyer Sergei Magnitsky.

In December, KNAB initiated criminal proceedings against an official at Pauls Stradiņš University Hospital on suspicion of carrying out illegal activities for monetary gain. On December 19, the chairwoman of the Pauls Stradiņš Clinical Hospital was suspended after KNAB agents searched the hospital and discovered deficiencies in the hospital's administration. KNAB's investigation is ongoing; to date no criminal charges have been brought in the case.

Latvian law enforcement officials and regulators continue to make progress in their efforts to thwart money laundering. FCMC reports that Latvian banks continue to invest substantially in their IT systems to develop further programs for identifying suspicious activities, especially with regard to high-risk clients. FCMC should continue its work to strengthen its capacity by increasing its human and financial resources, specifically for AML purposes.

Lebanon

Lebanon is a financial hub for banking activities in the Middle East and eastern Mediterranean and has one of the more sophisticated banking sectors in the region. Lebanon faces significant money laundering and terrorism financing challenges; for example, Lebanon has a substantial influx of remittances from expatriate workers and family members, estimated by the World Bank at approximately \$7.6 billion annually over the last four years. Media reports suggest that a number of Lebanese abroad are involved in underground finance and trade-based money laundering (TBML) activities.

Laundered proceeds come primarily from foreign criminal activity and organized crime, and from Hizballah, which the United States has designated as a terrorist organization, though the Government of Lebanon does not recognize this designation. Domestically, there is a black market for cigarettes; cars; counterfeit consumer goods; and pirated software, CDs, and DVDs. However, the sale of these goods does not generate significant proceeds that are laundered through the formal banking system. In addition, the domestic illicit narcotics trade is not a principal source of laundered proceeds.

Lebanese expatriates in Africa and South America have established financial systems outside the formal financial sector, and some are reportedly involved in TBML schemes. Lebanese diamond brokers and purchasing agents are reportedly part of an international network of traders who participate in underground activities including the trafficking of conflict diamonds, diamond trade fraud (circumventing the Kimberley process), and TBML.

Exchange houses are reportedly used to facilitate money laundering and terrorism financing, including by Hizballah. Although offshore banking and trust and insurance companies are not permitted in Lebanon, the government has enacted regulations regarding the activities of offshore companies and transactions conducted outside Lebanon or in the Lebanese Customs Free Zone. Offshore companies can issue bearer shares. There are also two free trade zones (FTZ) operating in Lebanon: the Port of Beirut and the Port of Tripoli. FTZs fall under the supervision of the Customs Authority.

In 2011, Lebanese Canadian Bank (LCB) was designated as a financial institution of primary money laundering concern under Section 311 of the USA PATRIOT Act. A \$102 million settlement between LCB and the U.S. Department of Justice was reached in June 2013.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: List approach
Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: NO
KYC covered entities: Banks, financial and lending institutions, money dealers, financial brokerage firms, leasing companies, mutual funds, insurance companies, real estate developers, promotion and sales companies, and high-value goods merchants

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 241: January - October 2013

Number of CTRs received and time frame: 25: January - October 2013

STR covered entities: Banks, lending institutions, money dealers, financial brokerage firms, leasing companies, mutual funds, insurance companies, real estate developers, promotion and sales companies, and high-value goods merchants

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 4: January - October 2013

Convictions: 0

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** NO **Other mechanism:** YES

With other governments/jurisdictions: YES

Lebanon is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at:

<http://www.menafatf.org/MER/MutualEvaluationReportoftheLebaneseRepublic-English.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Three laws intended to strengthen Lebanon's AML/CFT regime were passed by the Council of Ministers on March 14, 2012, and, as of the end of 2013, are still awaiting Parliament's approval. These include: amendments to the existing money laundering law, Law 318/2001, which would, among other provisions, add new offenses to the existing law, impose financial penalties on obliged entities for financial reporting violations, and require lawyers and accountants to file suspicious transaction reports (STRs); new legislation requiring the declaration of cross-border transportation of cash; and new legislation on the exchange of tax information, which would

authorize the Ministry of Finance to join bilateral and multilateral agreements to exchange information related to tax evasion and tax fraud.

In 2013, the Bank of Lebanon issued circulars to improve its AML/CFT regime. These include: Basic Circular No. 128 dated January 12, 2013, later amended by intermediate Circular No. 338 dated September 23, 2013, requiring banks to establish a Compliance Department comprising an AML/CFT Compliance Unit; Intermediate Circular No. 337 dated September 20, 2013, regulating cash transfers in the hawala system; and Intermediate Circular No. 325 dated June 6, 2013, regulating electronic funds transfers. Despite no requirement to file currency transaction reports (CTRs) with the Special Investigation Commission (SIC), Lebanon's financial intelligence unit, 25 such reports were filed voluntarily.

The SIC sent 26 allegations to the Office of the Prosecutor General for prosecution between January 2013 and October 2013. Although the number of filed STRs and subsequent money laundering investigations coordinated by the SIC has steadily increased over the years, prosecutions and convictions are still lacking. In addition, Lebanese authorities need to place greater emphasis on proactive targeting and not simply rely on STRs filed by financial institutions as a trigger to initiate investigations. This deficiency could be attributable to the absence of laws and a lack of political will to effectively prosecute cases, or a lack of resources and familiarity with AML/CFT standards. Customs must inform the SIC of suspected TBML or terrorist financing; however, high levels of corruption within Customs make this problematic. Existing safeguards do not address the laundering of diamonds. Another unaddressed vulnerability is the trading of bearer shares of unlisted companies. Lebanon should take action to immobilize those shares.

From January 1, 2013 to November 20, 2013, Lebanon's Internal Security Forces (ISF) received 32 allegations of money laundering from Interpol and 40 requests from the SIC, and has prepared files on two suspected cases of money laundering. The ISF is in the process of investigating each of these cases. The ISF Money Laundering Repression Office staff lacks the training and skill set to conduct effective money laundering investigations, as well as equipment and software to effectively track cases. Additionally, law enforcement entities often do not coordinate activities. The government should encourage more efficient cooperation among financial investigators, including the development of joint task forces, and with other relevant agencies, such as Customs, the ISF, the SIC, and the judiciary. There also should be greater cooperation among local and international law enforcement organizations to combat money laundering and terrorism financing.

On November 13, 2013, following a referral by a concerned bank and an investigation by the SIC, the Lebanese judiciary arrested and charged a senior Lebanese government official and his spouse on charges of embezzling public funds and money laundering. The SIC took the decision to freeze all the accounts related directly or indirectly to the concerned suspects. Allegedly, the amounts embezzled are estimated at approximately \$4 million. Another accomplice and his spouse were also arrested and charged in absentia.

Lebanon should strengthen its overall efforts to disrupt and dismantle money laundering and terrorist financing activities, including those carried out by Hizballah. Lebanon should enforce

cross-border currency reporting. Law enforcement authorities should examine domestic ties with the international network of Lebanese brokers and traders. Lebanon also should consider amending its legislation to improve the ability of the government to cooperate with international forfeiture actions and also provide legal authority for the return of fraudulent proceeds. Finally, Lebanon should become a party to the UN International Convention for the Suppression of the Financing of Terrorism.

Lesotho

Lesotho is neither a regional nor an offshore financial center. Money laundering is related primarily to corruption and tax evasion. While there is no significant black market for smuggled goods in the country, undeclared and under-declared items pass daily between Lesotho and South Africa over the countries' extensive and porous land border. The smuggling is low level and committed by individuals. Smugglers commonly bring undeclared consumer goods or, occasionally, larger items like automobiles from South Africa into Lesotho. Smaller items are smuggled to avoid paperwork and other official annoyances, while larger items are smuggled to avoid paying import taxes at the borders. There is some evidence of small arms being smuggled across Lesotho's porous border, often in exchange for Lesotho-grown marijuana. The funding source is unclear, as is the destination of the proceeds.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, money lenders, money exchangers, brokers, insurance companies, securities dealers, real estate agents, gambling houses, casinos, the lottery, precious metals or stones dealers, and service providers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 7: January - November 2013

Number of CTRs received and time frame: Not available

STR covered entities: Banks, money lenders, money exchangers, brokers, insurance companies, securities dealers, real estate agents, gambling houses, casinos, the lottery, precious metals or stones dealers, and service providers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2013

Convictions: 0 in 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO **Other mechanism:** NO

With other governments/jurisdictions: YES

Lesotho is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.esaamlg.org/reports/view_me.php?id=231

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

While the Government of Lesotho is steadily increasing its ability to monitor international financial transactions in Lesotho for AML/CFT purposes, limited resources, capacity, and expertise, as well as a lack of both awareness and training pose serious challenges to the adequate implementation of Lesotho's AML/CFT legislation.

In 2013, the Financial Intelligence Unit (FIU) published AML guidelines for the first time. The guidelines require reporting entities to submit suspicious transaction reports (STRs) to the FIU only, as opposed to both the Directorate of Corruption and Economic Offenses (DCEO) and the FIU, as provided for in the Money Laundering and Proceeds of Crime Act (MLPCA). The MLPCA is being revised. The DCEO is working toward operationalizing its AML unit. The FIU is continuing to raise awareness among banks and other professions about their obligations under the MLPCA.

Customs enforcement and other weak points at Lesotho's borders continue to be key areas of concern.

Liberia

Liberia is not a significant regional financial center. The financial system has limited capacity to detect money laundering, and financial controls are weak. The economy runs on a traditional cash-based system, with the Liberian and U.S. dollars being legal tender. There are nine commercial banks operating in Liberia, eight of which are foreign-owned. Approximately half of those banks provide money transfer services through Western Union and Money Gram outlets. Three offer debit cards, automated teller machines, internet banking, and other modern bank products and services across the country. Liberia has a significant market for smuggled goods, which are easily imported as a result of its long, porous borders. There is little information linking money laundering to the sale of narcotics. Unmonitored diamond and gold mining in border areas and opaque trading networks continue to be concerns. There are presently two casinos in the country; however, casino operators have no regulatory body overseeing their activities. The relative openness of Liberia's economy coupled with its craving for foreign investment make the country vulnerable to illegal business activities.

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The Freeport of Monrovia operates as an International Ship and Port Security-certified security level one port. In 2013, the Government of Liberia drafted a Special Economic Zone (SEZ) bill to repeal and replace the Liberia Free Zone Authority Act. The draft SEZ bill is awaiting submission to the Liberian legislature; if passed into law, it will establish a designated free zone area.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach

Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** NO ***Domestic:*** NO

KYC covered entities: Central Bank of Liberia, banks, and thrift and loan associations; broker/dealers in securities and commodities; money exchanges and check cashers; issuers of credit cards, money orders, and other similar instruments; insurance, loan, or financing agencies and underwriters; and funds remitters

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 0 in 2013

Number of CTRs received and time frame: 0 in 2013

STR covered entities: Central Bank of Liberia, banks, and thrift and loan associations; broker/dealers in securities and commodities; money exchanges and check cashers; issuers of credit cards, money orders, and other similar instruments; insurance, loan, or financing agencies and underwriters; funds remitters; accountants, casinos, and real estate agencies; and state institutions and ministries

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2013

Convictions: 0 in 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO ***Other mechanism:*** YES

With other governments/jurisdictions: YES

Liberia is a member of the Inter Governmental Action Group Against Money Laundering in West Africa (GIABA), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://web.giaba.org/reports/mutual-evaluation/Liberia.html>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

There have been no arrests, prosecutions, or convictions for money laundering or terrorism financing in Liberia. Money laundering is difficult to detect because of Liberia's cash-based economy, lack of financial transparency and record-keeping, political interference, corruption, weak capacity within law enforcement and the judiciary, and lack of adequate resources.

In April 2013, the Government of Liberia signed the Anti-Money Laundering (AML) Law and the Law to Establish Financial Intelligence Unit (FIU). The passage of these laws criminalizes money laundering and terrorism financing and makes them first degree felonies, which carry heavy prison sentences; and ensures effective AML/CFT supervision for reporting entities such as banks, insurance companies, and non-bank financial institutions. The FIU legislation calls for setting up a central, national agency responsible for receiving, requesting, analyzing, and disseminating to the competent authorities disclosures of financial information in order to counter money laundering and financial crimes.

The Central Bank of Liberia (CBL) continues to enhance the technical and logistical capacities of its supervision division to carry out its risk-based supervision in the financial sector.

Currently, the CBL receives suspicious transaction reports (STRs) from commercial banks based on its KYC and customer due diligence (CDD) regulations, but uses them for internal purposes only. The threshold for suspicious transactions or transfers is \$25,000 or more for individuals and \$40,000 or more for corporations. According to the CBL's Regulation Concerning Transfer of Foreign Currency, an individual without a bank account is allowed an over-the-counter transfer of up to \$5,000 at a time, with a limit of two over-the-counter transfers of up to \$5,000 each within a thirty day period at any given bank. The CBL acknowledges that its KYC and CDD guidelines merit updates. The CBL lacks the technical capacity to strictly monitor or enforce compliance. There are reports that some banks are ignoring the KYC/CDD principles.

In May 2013, the CBL commenced Liberia's first Treasury bills (T-bills) auction, which attracted overwhelming responses from commercial banks in the country. Although there is no functional capital market, the CBL's T-bills auctions are expected to pave the way for the establishment of a benchmark for a corporate debt securities market.

Preparations are underway to establish the FIU; recently, the president appointed the head of the CBL to chair the newly constituted board of directors that will oversee the affairs of the unit. The CBL, with international assistance and in collaboration with relevant agencies, has begun outlining the operational strategies of the FIU. Various government security agencies also handle intelligence related to money laundering and other financial crimes, but in an uncoordinated fashion.

In Liberia, any person, partnership, or company may establish a foreign exchange bureau upon receipt of a license from the CBL. The government does not have a mechanism in place to regulate the activities of these bureaus for AML/CFT purposes. Currently, there are over 700 licensed and non-licensed foreign currency exchange bureaus operating in Liberia. There are also a number of unregulated money changers in the country whose activities have raised

concerns. The Association of Foreign Exchange Bureaus has appealed to the CBL to strictly enforce the bank's Regulations for Licensing and Supervision of Foreign Exchange Bureau. Throughout Liberia, foreign currencies are exchanged with any person, without identification or verification of identity or business profile. This sector poses a high level of vulnerability to money laundering, terrorism financing, and suspicious transactions.

Both the Liberia National Police, through the Criminal Investigation Division's Technical Investigation Unit, and the National Security Agency, through intelligence units, investigate financial crimes. The Liberian Drug Enforcement Agency (DEA) designs and formulates anti-drug policies and coordinates, collaborates, and facilitates the enforcement of anti-drug law in Liberia. The DEA also has the authority to investigate money laundering in relation to drug-related offenses, but does not have the capacity to do so. Legislation is pending that will strengthen the anti-drug law and the DEA. Money laundering as an offense has not featured prominently on police or DEA records over the years. Both lack relevant investigative capacity. In May 2013, Liberia installed a donated body scanner at the Roberts International Airport to assist airport security in tracking bulk cash and illicit objects and substances.

Although the AML Law provides for seizure of laundered assets, including property, land, securities, and cash, there have been no arrests, prosecutions, or convictions for money laundering or terrorism financing. The police and other security officials have the power to seize drug-related assets, but need permission from the courts. Generally, implementation of laws is hampered by political interference, corruption, weak capacity within the judiciary, and a lack of adequate resources.

The Government of Liberia should establish procedures to monitor foreign exchange and remittance dealers, take steps to ensure the new corporate debt securities market activity is adequately controlled and monitored, establish a mechanism for circulating the UN terrorist lists to financial institutions, enforce border and port security, enhance the relevant supervisory authority and resources of the CBL, review its thresholds for suspicious transactions, and move quickly to operationalize the new FIU.

Libya

Libya is in the midst of a prolonged democratic transition in the wake of the 2011 revolution. The interim Government of Libya and the General National Congress face significant challenges establishing institutions of security and governance, and have fallen behind timelines established by a 2011 constitutional declaration that envisioned adoption of a new, to-be-drafted constitution and election of a permanent government. In the meantime, armed militias, former revolutionaries, and tribes within Libya engage in criminal activity for profit, including theft, weapons trafficking, and extortion. There are no sanctions currently in effect against Libya. However, sanctions remain in effect targeting specific Libyan nationals and entities such as the Libyan Investment Authority (the country's sovereign wealth fund).

Libya remains heavily dependent on the hydrocarbons sector for government income – approximately 96 percent of the total revenues. Markets remain primarily cash-based, and informal value transfer networks are present. Libya's geographic location, porous borders, and

limited law enforcement capacity make it an attractive transit point for narcotics. Libya is also a transit and destination country for migrants from sub-Saharan Africa and Egypt, whose movement across borders is facilitated by bribery of border officials, weak Libyan government border management institutions, and the de facto management of border regions by locally-based tribal networks and forces. Corruption and the perception of corruption remain serious problems.

Libya is a source, destination, and transit point for smuggled goods, including Libyan government-subsidized items such as fuel and food as well as black market and counterfeit goods from sub-Saharan Africa, Egypt, and China. Contraband smuggling includes narcotics, particularly hashish/cannabis and heroin.

Libya has made limited progress in developing a private sector and reforming its commercial banking system. The commercial banking system holds approximately \$45 billion in assets, though banks are reluctant to make loans due to the lack of rules and regulations governing the lending process.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach
Are legal persons covered: ***criminally:*** Not available ***civilly:*** Not available

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** Not available ***Domestic:***
Not available
KYC covered entities: Banks and financial institutions licensed by the Libyan Central Bank

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available
Number of CTRs received and time frame: Not applicable
STR covered entities: Banks and financial institutions licensed by the Libyan Central Bank

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO ***Other mechanism:*** NO

With other governments/jurisdictions: NO

Libya is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a FATF-style regional body. It has not yet been the subject of a mutual evaluation.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Since the fall of the former regime in 2011, there is little information or reliable data on the scope of Libya's AML/CFT regime, including investigations, asset forfeiture, prosecutions, and convictions. Libya has a financial intelligence unit, however, it is ineffective and not in conformance with international standards. In general, Libya lacks the capacity and resources to conduct AML awareness training and to implement countermeasures.

It is illegal to transfer funds outside of Libya without the approval of the Central Bank of Libya (CBL). Cash courier operations are in violation of Libyan law. It is estimated up to 10 percent of foreign transfers are made through illegal means, i.e., not through the CBL. Prior to the revolution, between 1.5 and 2 million foreigners were thought to live and work in Libya. That number dropped dramatically during the revolution and, presently, only an estimated half million foreign workers reside in Libya. Funds transfers by migrant workers (mainly from sub-Saharan Africa and Asia) are difficult for the Libyan government to monitor.

Given the poor quality and limited reach of Libya's banking system and Libya's formerly socialist practices, many Libyans and foreigners rely on informal mechanisms for cash payments and transactions. According to CBL officials, the Bank is still evaluating ways in which it can encourage the informal economy to formalize business practices and use commercial financial institutions. Trade is often used to provide counter-valuation or a means of balancing the books between hawaladars.

Liechtenstein

The Principality of Liechtenstein has a well-developed offshore financial services sector, relatively low tax rates, liberal incorporation and corporate governance rules, and a tradition of strict bank secrecy. All of these conditions contribute significantly to the ability of financial intermediaries in Liechtenstein to attract both licit and illicit funds from abroad. Liechtenstein's financial services sector includes 17 banks, 107 asset management companies, 392 trust companies, 40 insurance companies, 69 insurance intermediaries, 29 pension plans, six pension funds, 20 fund management companies with approximately 542 investment funds, and 1,370 other financial intermediaries. The three largest banks control 85 percent of the market.

In recent years Liechtenstein banking secrecy has been softened to allow for greater cooperation with other countries to identify tax evasion. The Government of Liechtenstein has renegotiated a series of double taxation agreements to include administrative assistance on tax evasion cases.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: *criminally:* YES *civilly:* YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* YES

KYC covered entities: Banks, securities and insurance brokers; money exchangers or remitters; financial management firms, investment companies, and real estate companies; dealers in high-value goods; insurance companies; lawyers; casinos; the Liechtenstein Post Ltd.; and financial intermediaries

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 318 in 2012

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks, securities and insurance brokers; money exchangers or remitters; financial management firms, investment companies, and real estate companies; dealers in high-value goods; insurance companies; lawyers; casinos; the Liechtenstein Post Ltd.; and financial intermediaries

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 50 in 2012

Convictions: 0: January - November 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* YES *Other mechanism:* YES

With other governments/jurisdictions: YES

Liechtenstein is a member of the Council of Europe Select Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Liechtenstein_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The 2012 reporting year saw a continued annual decline of suspicious activity reports (SARs), down by 10 percent compared to 2011. Forty-three percent of the SARs were for suspected fraud, 9 percent for money laundering (a decline from last year), and 48 percent enumerated other offenses. In 2012, 60 percent of Liechtenstein's SARs were forwarded to the Office of the

Public Prosecutor. The present SAR reporting requirements do not clearly indicate whether attempted transactions related to funds connected to terrorism financing or terrorism are covered.

In practice, many of the customer characteristics often considered high-risk in other locales, including non-resident and trust or asset management accounts, are considered routine in Liechtenstein and are subject only to normal customer due diligence procedures. Liechtenstein also decided not to include entities with bearer shares, trusts and foundations, or entities registered in privately-held databases in the high-risk category. Liechtenstein should consider reviewing whether this decision makes its financial system more vulnerable to illegal activities.

There are reportedly no abuses of non-profit organizations, alternative remittance systems, offshore sectors, free trade zones, bearer shares, or other specific sectors.

Lithuania

Lithuania is not a regional financial center. It has adequate legal safeguards against money laundering; however, its geographic location bordering Belarus and Russia makes it a target for smuggled goods and tax evasion. The sale of narcotics does not generate a significant portion of money laundering activity in Lithuania. Value added tax (VAT) fraud is one of the biggest sources of illicit income, through underreporting of goods' value. Most financial crimes, including VAT embezzlement, smuggling, illegal production and sale of alcohol, capital flight, and profit concealment, are tied to tax evasion. There are no reports of public corruption contributing to money laundering or terrorism financing.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/s/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: **Foreign:** YES **Domestic:** NO

KYC covered entities: Banks, credit unions, and financial leasing firms; insurance companies and brokers; lawyers, notaries, tax advisors, auditors, and accountants; investment and management companies; real estate brokers and agents; gaming enterprises; postal services; dealers in art, antiquities, precious metals and stones, and high-value goods

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 326: January 1 - November 13, 2013

Number of CTRs received and time frame: 495,001: January 1 - November 13, 2013

STR covered entities: Banks, credit unions, and financial leasing firms; insurance companies and brokers; lawyers, notaries, tax advisors, auditors, and accountants; investment and management companies; real estate brokers and agents; gaming enterprises; postal services; dealers in art, antiquities, precious metals and stones, and high-value goods

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 7 in 2013

Convictions: 3 in 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES **Other mechanism:** YES

With other governments/jurisdictions: YES

Lithuania is a member of the Council of Europe's Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body. Its most recent mutual evaluation can be found at:

http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Lithuania_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In 2013, the Lithuanian Financial Crime Investigation Service drafted amendments to the Law on Prevention of Money Laundering and Terrorist Financing to eliminate deficiencies noted by international experts. The law is expected to pass in early 2014.

On September 4, 2013, the Lithuanian government amended its Resolution, “On Requests for Prior Authorization to make International Money Transfers with Iran’s Persons, entities or bodies” in accordance with the EU’s new legal framework. On September 21, 2013, the government amended know-your-customer requirements to permit opening accounts with electronic signatures.

Luxembourg

Despite its standing as the second-smallest member of the EU, Luxembourg is one of the largest financial centers in the world. It also operates as an offshore financial center. Although there are a handful of domestic banks operating in the country, the majority of banks registered in Luxembourg are foreign subsidiaries of banks in Germany, Belgium, France, Italy, and Switzerland. While Luxembourg is not a major hub for illicit narcotics distribution, the size and sophistication of its financial sector create opportunities for money laundering, tax evasion, and other financial crimes.

For additional information focusing on terrorist financing, please refer to the Department of State’s Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT

Money Laundering and Financial Crimes

AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: Combination approach

Are legal persons covered: *criminally:* YES *civilly:* YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* NO

KYC covered entities: Banks and payment institutions; investment, tax, and economic advisers; brokers, custodians, and underwriters of financial instruments; commission agents, private portfolio managers, and market makers; managers and distributors of units/shares in undertakings for collective investments (UCIs); financial intermediation firms, registrar agents, management companies, trust and company service providers, and operators of a regulated market authorized in Luxembourg; foreign exchange cash operations; debt recovery and lending operations; pension funds and mutual savings fund administrators; corporate domiciliation agents, company formation and management services, client communication agents, and financial sector administrative agents; primary and secondary financial sector IT systems and communication network operators; insurance brokers and providers; auditors, accountants, notaries, and lawyers; casinos and gaming establishments; real estate agents; and high-value goods dealers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 3,723: January 1 - October 31, 2013

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks and payment institutions; investment, tax, and economic advisers; brokers, custodians, and underwriters of financial instruments; commission agents, private portfolio managers, and market makers; managers and distributors of units/shares in UCIs; financial intermediation firms, registrar agents, management companies, trust and company service providers, and operators of a regulated market authorized in Luxembourg; foreign exchange cash operations; debt recovery and lending operations; pension funds and mutual savings fund administrators; corporate domiciliation agents, company formation and management services, client communication agents, and financial sector administrative agents; primary and secondary financial sector IT systems and communication network operators; insurance brokers and providers; auditors, accountants, notaries, and lawyers; casinos and gaming establishments; real estate agents; and high-value goods dealers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 100: January 1 - September 15, 2013

Convictions: 122: January 1 - September 15, 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES **Other mechanism:** YES

With other governments/jurisdictions: YES

Luxembourg is a member of the FATF. Its most recent mutual evaluation can be found at:
<http://www.fatf-gafi.org/countries/j-m/luxembourg/documents/mutualevaluationofluxembourg.html>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

During 2013, the Government of Luxembourg continued the implementation of the comprehensive package of legislative and administrative actions that were put in place in 2010. The Supervisory Authority of the Financial Sector (CSSF) and the Supervisory Authority of the Insurance Sector (CAA) further strengthened their respective AML/CFT supervisory efforts through the implementation of a risk-based approach to AML/CFT supervision, notably when organizing on-site inspections and allocating human resources. The CSSF and CAA also multiplied the number and intensity of their on-site inspections (182 specific CSSF AML/CFT on-site inspections from 2010 – September 15, 2013, and 71 specific CAA AML/CFT on-site inspections during the same period) with an enlargement of the scope of professionals and subjects covered. In addition, the CSSF strengthened its sanctions regime (extent and scope of sanctions) and implementation (including administrative fines, injunction orders, and withdrawal of the fit and properness character of a licensed person); and created a formal enforcement committee which meets on a regular basis. The CSSF has also continuously increased its human resources and organized specific internal AML/CFT awareness-raising trainings. Both supervisory authorities cooperate with the financial intelligence unit (FIU) on a regular basis.

In 2013, the FIU continued to strengthen its AML/CFT interagency cooperation with competent authorities and its outreach to other relevant authorities, such as Customs and the Administration for Direct/Indirect Taxes, to increase their capacity and awareness of the AML/CFT framework. The FIU organized outreach to covered entities and held focused AML/CFT training together with other relevant supervisory authorities/self-regulatory organizations (SROs) that cover the insurance sector, auditors, accountants, real estate agents, and dealers in high-value goods. The FIU also implemented enhanced feedback procedures. At the international level, the FIU is currently conducting a pilot project with the French FIU on cross-border exchange of STRs.

The Luxembourg Prosecutor further strengthened the FIU in 2013 by allocating three full-time and two part-time deputy prosecutors to the unit, thus increasing the total composition of the FIU to 16. The FIU undertook substantial work in 2012-2013 to modernize its IT system, with a first version becoming operational by the end of 2013. These efforts have resulted in enhanced analysis of STRs.

The Administration for Indirect Taxes (AIT), the supervisory authority of designated non-financial businesses and professions not already supervised by SROs, and the SROs of notaries, lawyers, auditors, and accountants made increased efforts to conduct focused AML/CFT on-site inspections of their respective members. Accordingly, in 2012-2013, the AIT conducted 65 AML/CFT on-site inspections of its supervised entities. In 2012-2013, the Luxembourg Bar Association conducted 26 AML/CFT on-site inspections of law firms (representing a total of 566 lawyers), the Institute of Registered Auditors conducted 28 on-site inspections, and the Association of Certified Accountants conducted 45 on-site inspections. From 2011-2013, the

Chamber of Notaries conducted on-site inspections of all Luxembourg notary firms. In addition to on-site inspections, the AIT and SROs organized outreach and AML/CFT training for their respective entities/members and issued guidance for implementing AML/CFT measures.

In 2013, Luxembourg enacted new regulations, including the Professionals of the Insurance Sector Law of July 12, 2013 (PSA Law), which amends 1991 and 2004 laws. The PSA Law adds those who provide support services to insurance and reinsurance companies as a new category of regulated and licensed professionals. The CAA regulates the PSAs, who must be duly licensed, are subject to “fit and proper” and AML/CFT requirements, and are subject to the same rules as insurance intermediaries’ shareholders. The PSA Law also provides for explicit coverage of AML/CFT legislation in the certification test for the insurance intermediary license.

Macau

Macau, a Special Administrative Region (SAR) of the People's Republic of China, is not a significant regional financial center. Its financial system, which services a mostly local population, consists of banks and insurance companies as well as offshore financial businesses, such as credit institutions, insurers, underwriters, and trust management companies. Both sectors are subject to similar supervisory requirements and oversight by Macau's Monetary Authority.

With estimated gaming revenues of \$45 billion for 2013, Macau is the world's largest gaming market by revenue. The gaming industry relies heavily on loosely-regulated gaming promoters and collaborators, known as junket operators, for the supply of wealthy gamblers, mostly from the Chinese mainland. Increasingly popular among gamblers seeking anonymity or alternatives to China's currency movement restrictions, junket operators are also popular among casinos aiming to reduce credit default risk and unable to legally collect gambling debts on the mainland, where gambling is illegal. This inherent conflict of interest, together with the anonymity gained through the use of the junket operator in the transfer and commingling of funds, as well as the absence of currency and exchange controls, present vulnerabilities for money laundering.

Macau Government officials indicate the primary sources of laundered funds—derived from local and overseas criminal activity—are gaming-related crimes, property offenses, and fraud.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: **criminally:** YES **civilly:** NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: **Foreign:** YES **Domestic:** YES

KYC covered entities: Banks, credit and insurance entities, casinos, gaming intermediaries, remittance agents and money changers, cash couriers, trust and company service providers, realty services, pawn shops, traders in high value goods, notaries, registrars, commercial offshore service institutions, lawyers, auditors, accountants, and tax consultants

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 1,163: January 1 – September 30, 2013

Number of CTRs received and time frame: Not applicable

STR covered entities: All persons, irrespective of entity or amount of transaction involved

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0: January 1 - June 30, 2013

Convictions: 0: January 1 - June 30, 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO ***Other mechanism:*** YES

With other governments/jurisdictions: YES

Macau is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at:

<http://www.apgml.org/documents/default.aspx?s=date&c=7&pcPage=4>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Macau continues making considerable efforts to develop an AML/CFT framework that meets international standards. Its financial intelligence unit (FIU) has been an essential component in coordinating efforts to develop long-term AML/CFT infrastructure and for close collaboration with other FIUs, including the signing of memoranda of understanding and collaboration agreements with 11 foreign counterpart FIUs.

However, important deficiencies remain; legislation that would strengthen Macau's customer due diligence requirements is pending, as is legislation to improve the jurisdiction's cross-border currency controls. Macau has yet to implement an effective cross-border cash declaration system.

While Macau's AML law does not require currency transaction reporting, gaming entities are subject to threshold reporting for transactions over MOP 500,000 (approximately \$62,640) under the supplementary guidelines of the Gaming Inspection and Coordination Bureau. Macau should lower the large transaction report threshold for casinos to \$3,000 to bring it in line with international standards and should continue to strengthen interagency coordination to prevent money laundering in the gaming industry, especially by introducing robust oversight of junket operators, mandating due diligence for non-regulated gaming collaborators, and implementing cross-border currency reporting. Macau also should enhance its ability to support international AML/CFT investigations.

As a SAR of China, Macau cannot sign or ratify international conventions in its own right. China is responsible for Macau's international affairs and may arrange for its ratification of any convention to be extended to Macau. Conventions extended to Macau include: the 1988 Drug Convention (1999), the UN Convention against Transnational Organized Crime (2003), the UN Convention against Corruption (2006), and the International Convention for the Suppression of the Financing of Terrorism (2006).

Macedonia

Macedonia is not a regional financial center. While most financial transactions are done through the well regulated and supervised banking system, cash transactions of considerable amounts are commonplace. Money laundering in Macedonia is most often linked to financial crimes such as tax evasion, smuggling, financial and privatization fraud, insurance fraud, and corruption. Most of the laundered proceeds come from domestic criminal activities. A small portion of money laundering activity is connected to narcotics trafficking. Organized criminal groups are involved in both weapons and human trafficking in Macedonia. Illicit funds are sometimes invested in businesses and property.

Macedonia is not an offshore financial center, and the Law on Banks does not allow the existence of shell banks in Macedonia. Banks do not allow the opening of anonymous bank accounts and bearer shares are not permitted. There is no evidence alternative remittance systems exist in Macedonia; however, exchange offices and non-bank money transfer agents are poorly supervised. The few free trade zones (FTZ) in Macedonia function as industrial zones. The production facilities enjoying the FTZ benefits are owned by foreign investors. The Government of Macedonia is trying to attract more foreign investment by leasing out several large FTZs throughout the country.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* NO

KYC covered entities: Banks, savings institutions, exchange offices, and money remittance agents; central securities depository and brokerages; legal entities approving loans, issuing electronic money, and issuing and administering credit cards; financial leasing, factoring, and

forfeiting agents; financial consultants and advisors; investment funds, voluntary pension funds, and life insurance companies; auditors, accountants, notaries, and lawyers; real estate agents, consultants, and investment advisors; nongovernmental organizations (NGOs); car dealerships; cadaster registries; company service providers; and casinos

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 130: January - October 2013

Number of CTRs received and time frame: 69,137: January - October 2013

STR covered entities: Banks, savings institutions, exchange offices, and money remittance agents; central securities depository and brokerages; legal entities approving loans, issuing electronic money, and issuing and administering credit cards; financial leasing, factoring, and forfeiting agents; financial consultants and advisors; investment funds, voluntary pension funds, and life insurance companies; auditors, accountants, notaries, and lawyers; real estate agents, consultants, and investment advisors; NGOs; car dealerships; cadaster registries; company service providers; and casinos

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 3: January - October, 2013

Convictions: 3: January - October, 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO ***Other mechanism:*** YES

With other governments/jurisdictions: YES

Macedonia is a member of the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body. Its most recent mutual evaluation can be found at:

http://www.coe.int/t/dghl/monitoring/moneyval/Countries/MK_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In 2013, there were no new legislative or regulatory changes to the existing AML/CFT regime.

In 2013, the financial intelligence unit (FIU) submitted to the Prosecutor's office 19 reports related to money laundering and 80 reports of other suspected crimes. Although active, the FIU maintains low visibility and is often overshadowed by the Financial Police and the regular police (Ministry of Interior). Its responsibilities continue to overlap in many areas with both of these institutions and with the Public Revenue Office and the Customs Administration. Cooperation among agencies is good.

The government is implementing the National Strategy for combating money laundering and financing of terrorism for 2012-2014. The Council on Combating Money Laundering and Financing of Terrorism, established in 2012 and consisting of representatives of investigative and prosecuting bodies and 14 reporting institutions, has been largely inactive.

Four of the seven savings houses in the country will be transformed into financial companies. They will be supervised by the Ministry of Finance in the future, instead of the Central Bank. The remaining savings houses are supervised by the Central Bank, but Macedonia has no specific law regulating savings houses. Other reporting entities supervised by the Public Revenue Office continue to be poorly and rarely monitored, as the Public Revenue Office is focused mainly on investigating tax evasion. Exchange offices and non-bank money transfer agents, as well as all other reporting entities, are also poorly supervised and audited with regard to AML/CFT programs and practices. Macedonia should improve its supervision of the non-banking financial sector and provide necessary resources and training to ensure full implementation of laws.

AML/CFT reporting by lawyers, accountants, brokers, real estate agents, consultants, NGOs, casinos, and notaries is very rare, and authorities should work with these entities to increase awareness of reporting requirements. Dealers in arts, antiques, and other high-value consumer goods; entities dealing with jewelry and precious metals; travel agencies; stock exchanges; the credit registry and credit bureaus; gaming centers; and non-life insurance companies are excluded from the list of covered reporting entities. The government should ensure these entities become subject to reporting requirements.

Human resources and knowledge in the area of terrorism financing are largely lacking. The government should work to conduct the necessary training for all reporting agencies. According to the AML/CFT law, financial institutions can temporarily freeze assets of suspected money launderers and terrorist financiers prior to receiving a court order. Frozen assets are confiscated only by a court's final verdict. Macedonia has an agency for management of seized and forfeited assets, but the agency has limited capacity and is minimally active.

The judicial system is highly politicized and inefficient. Rule of law is poorly respected, and selective enforcement of justice is common. Macedonia should deepen reforms in the judiciary to enable increased independence of the judiciary and more effective efforts against organized crime, corruption, terrorism, trafficking in human beings, money laundering, and narcotics smuggling.

Madagascar

Madagascar is neither a regional financial center nor a major source country for drug trafficking; however, Madagascar's inadequately monitored 3,000 miles of coastline leave the country vulnerable to smuggling and associated money laundering. Criminal proceeds laundered in Madagascar derive mostly from domestic criminal activity, but are often linked to international trade. The major sources of laundered proceeds in 2013 are tax evasion and customs fraud. Illegal mining and mineral resources smuggling, illegal logging, public corruption, and foreign currency smuggling are also areas of concern. Since the 2009 coup in Madagascar, declining rule of law also has led to trafficking of persons and a wide variety of goods. The smuggling of gemstones and protected flora and fauna generates funds that are laundered through the financial system or through informal channels into which the *de facto* government has limited reach. There is a significant black market for smuggled consumer goods. Trade-based money laundering occurs in Madagascar, involving both customs fraud and contraband. Media sources

report that members of the former de facto regime profited from, facilitated, and even directed criminal activity and money laundering.

Offshore banks and international business companies are permitted in Madagascar. Along with domestic banks and credit institutions, offshore banks are required to request authorization to operate from the Financial and Banking Supervision Committee, which is affiliated with the Central Bank.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 110: January 1 - November 4, 2013

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks, financial intermediaries and advisors, money changers, casinos and gaming establishments, real estate dealers, postal services, insurance companies, mutual fund companies, and stockbrokers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO ***Other mechanism:*** YES

With other governments/jurisdictions: YES

Madagascar is not a member of a FATF-style regional body (FSRB).

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Malagasy Financial Intelligence Service (SAMIFIN), an independent institution, is Madagascar's financial intelligence unit. SAMIFIN's mandate is to analyze and disseminate

suspicious transaction reports. When SAMIFIN believes it has evidence of suspected money laundering, it is required to report the information to other authorities responsible for investigation and prosecution.

While the police sometimes investigate crimes related to money laundering and other financial crimes, they lack necessary training and expertise. Moreover, the judicial system does not have the sophistication, resources, or political will to successfully prosecute most money laundering offenses. Underground finance and informal value transfer systems should be recognized and investigated. Madagascar should train police and customs authorities to proactively recognize money laundering at the street level and at the ports of entry. Additionally, prosecutors should be trained to manage complex financial crime and money laundering cases. The draft law addressing terrorism and transnational organized crime, which would criminalize the financing of terrorism, has been approved by the government and is now pending adoption by an elected parliament.

Madagascar should pursue membership in an FSRB.

Malawi

Malawi is not a regional financial center. The main source of illegal profits in Malawi derives from public corruption. Malawi is currently facing a major corruption scandal popularly known as “Cashgate” centering on the looting of government accounts by public officials through fraudulent transactions in the government’s computerized payments system. Another significant source of illicit funds is the production and trade of cannabis sativa (Indian hemp), which is extensively cultivated in remote areas of the country. Anecdotal evidence indicates Malawi is a transshipment point for other forms of narcotics. Human trafficking, vehicle hijacking, and fraud are also areas of concern.

Smuggling and the laundering of funds are exacerbated by porous borders with Mozambique, Zambia, and Tanzania. There are indications of trade-based money laundering, mostly through over- and under-invoicing. There are also cases of goods smuggled across the border; it is believed contraband smuggling generates proceeds that could be laundered through the financial system. Some of the trade-based money laundering is reportedly linked to Pakistan and India. Informal value transfer systems, such as hawala, are a concern. Malawi has a cash-based economy and there are usually few paper trails to follow in financial investigations.

For additional information focusing on terrorist financing, please refer to the Department of State’s Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: **criminally:** YES **civilly:** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: **Foreign:** YES **Domestic:** YES

KYC covered entities: Banks, microfinance institutions, leasing and finance companies, lawyers, legal practitioners, notaries, casinos and other gaming entities, real estate agents, trust and company service providers, foreign exchange bureaus, accountants, auditors, dealers in precious metals and stones, safe custody services, buyers and sellers of gold bullion, stock brokers, and the stock exchange

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 58: January 1 - October 31, 2013

Number of CTRs received and time frame: 81,008: January 1 - November 30, 2012

STR covered entities: Banks, foreign exchange bureaus, microfinance institutions, money transmitting firms, discount houses, real estate agencies, casinos, accountants, lawyers, dealers in precious metals and stones, capital markets

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2013

Convictions: 0 in 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO **Other mechanism:** YES

With other governments/jurisdictions: YES

Malawi is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.esaamlg.org/reports/me.php>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Malawi has adopted AML/CFT legislation and implementing regulations. The development of institutional capacity and mechanisms is still lacking.

Although more types of entities are responsible for conducting customer due diligence, only banks, foreign exchange bureaus, microfinance companies, and real estate agents have provided financial intelligence reports to their regulator, the Financial Intelligence Unit (FIU). Insurance companies are not covered at all. In its six years of existence, a permanent FIU director has not been named.

There have been no successful prosecutions or convictions for money laundering in Malawi. Progress is hampered by a lack of capacity and investigative and prosecutorial expertise. Authorities believe a deficient national identification system also makes it difficult for financial institutions to apply a standard form of identification. The Government of Malawi should work toward full implementation of its AML/CFT legislation. In response to the Cashgate scandal,

Malawi's Anti-Corruption Bureau has charged fifteen suspects with money laundering offenses, but prosecutions have not yet begun. The FIU has also drafted revisions to the Money Laundering Act that, if adopted, would empower the FIU to investigate and prosecute cases and ensure greater funding for its operations.

Malaysia

Malaysia is a growing regional financial center with a well-developed AML/CFT framework. Malaysia's long porous land and sea borders and its strategic geographic position increase its vulnerability to transnational criminal activity, including money laundering and terrorism financing. Malaysia is primarily used as a transit country to transfer drugs originating from the southeastern Asian Golden Triangle to Europe. Drug trafficking is an important source of illegal proceeds in Malaysia. Iranian and Nigerian drug trafficking organizations are the main sources of illegal proceeds.

Malaysian authorities also highlight illegal proceeds from corruption as a significant money laundering risk. Other common predicate offenses generating significant proceeds in Malaysia include fraud, criminal breach of trust, illegal gaming, credit card fraud, counterfeiting, robbery, forgery, human trafficking, and extortion. Smuggling of goods subject to high tariffs is another major source of illicit funds. Customs' efforts to investigate invoice manipulation identified trade-based money laundering risks.

Free trade zones in Malaysia are divided into Free Industrial Zones (FIZ), where manufacturing and assembly takes place, and Free Commercial Zones (FCZ), generally for warehousing commercial stock. The FIZs are designed mainly to promote manufacturing industries producing goods mainly for export and are dominated by large international manufacturers attracted to the zones because they offer preferential tax and tariff treatment. Currently there are 17 FIZs and 17 FCZs in Malaysia. Companies wishing to operate in a FIZ or FCZ must be licensed.

Malaysia's offshore financial center on the island of Labuan is subject to the same AML/CFT laws as those governing onshore financial service providers. The financial institutions operating in Labuan include both domestic and foreign banks and insurers. Offshore companies must be established through a trust company, which is required by law to establish true beneficial owners and submit suspicious transaction reports (STRs).

A number of terrorist organizations have been active on Malaysian territory, and authorities have taken action against Jemaah Islamiah and other terrorist networks. Terrorism financing in Malaysia is predominantly carried out using cash and relies on trusted, clandestine networks. Casinos are licensed and regulated by the Ministry of Finance. The central bank, Bank Negara Malaysia, periodically assesses casinos' compliance with the AML/CFT regulations.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT

AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: List approach
Are legal persons covered: **criminally:** YES **civilly:** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: **Foreign:** YES **Domestic:** YES

KYC covered entities: Banks in the conventional, Islamic, and offshore sectors; offshore listing sponsors and trading agents; stock and futures brokers; unit trust, investment fund, and futures fund managers; money lenders and pawnbrokers; money remitters; charge account and credit card issuers; insurance financial advisers; e-money issuers; leasing and factoring businesses; lawyers, public notaries, accountants, and company secretaries; licensed casinos and gaming outlets; registered estate agents; trust companies; and dealers in precious metals and stones

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 27,225 in 2012

Number of CTRs received and time frame: Not available

STR covered entities: Banks in the conventional, Islamic, and offshore sectors; offshore listing sponsors and trading agents; stock and futures brokers; wholesale money changers; unit trust, investment fund, and futures fund managers; money lenders and pawnbrokers; money remitters; charge account and credit card issuers; insurance financial advisers; e-money issuers; leasing and factoring businesses; lawyers, public notaries, accountants, and company secretaries; licensed casinos and gaming outlets; registered estate agents; trust companies; and dealers in precious metals and stones

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 13 – January - September 2013

Convictions: 9 – January - September 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** YES **Other mechanism:** YES

With other governments/jurisdictions: YES

Malaysia is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at:

<http://www.apgml.org/members-and-observers/members/member-documents.aspx?m=b1b0ea02-b04a-4b44-bb78-4d98fec54862>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Malaysia is undertaking an extensive review of the national AML/CFT framework through the National Coordinating Committee for Countering Money Laundering. In September and

October 2013, Bank Negara Malaysia issued five new guidelines on AML/CFT to various institutions, including: banking and deposit-taking institutions (Sector 1); the insurance and Takaful (Islamic insurance) sectors (Sector 2); money services businesses (Sector 3); electronic money and non-bank affiliated charge & credit cards (Sector 4); and designated non-financial businesses and professions and other non-financial sectors (Sector 5). The new guidelines introduce more stringent measures to deal with high risk jurisdictions identified by the FATF, enhanced requirements to undertake risk assessment, additional requirements on domestic politically exposed persons (PEPs) and persons holding prominent functions in international organizations, and new requirements on group-wide AML/CFT programs. Following the issuance of the guidelines, Bank Negara Malaysia embarked on various outreach programs to sectors affected by the guidelines.

The use of informal remittances, which are not subject to AML/CFT controls, creates vulnerability for abuse by money launderers and terrorist financiers. Malaysia's competent authority for implementing its AML/CFT laws, Bank Negara Malaysia, should continue its efforts to encourage the use of formal remittances and to monitor for compliance with the Money Services Business Act. Additionally, law enforcement and customs authorities should examine trade-based money laundering and invoice manipulation and their relationship to underground financial and informal remittance systems. Malaysia should move aggressively to identify, investigate, and prosecute drug trafficking kingpins.

Maldives

Maldives is comprised of a series of atolls in the Indian Ocean and is bisected by a number of international sea lanes. Authorities have expressed concern the islands are being used as a transit point for money laundering and illegal immigration to Europe. The country has a small financial market but is susceptible to money laundering and terrorist financing due to limited oversight capacity.

No official figures are available, but anecdotal evidence suggests illegal drug trafficking, a large black market for the purchase of dollars, and corruption produce significant amounts of illegal funds. Drug trafficking is noted as one of the most frequent asset-generating crimes. Other offenses include human trafficking, piracy, and offenses committed by gangs. Even though the number of corruption cases is low, only a small percentage is prosecuted, and reports indicate the sums involved can be significant. There are indications funds raised in the country have been used to finance terrorism activities abroad. While no official studies have been conducted, the Maldivian Central Bank confirms that, according to suspicious transaction reports (STRs), criminal proceeds mainly come from domestic sources.

The Maldives Monetary Authority reports that informal value transfer systems such as hawala are being used to transfer funds between the islands, although the extent to which these systems are used to launder money is still unclear.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach
Are legal persons covered: criminally: NO civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES
KYC covered entities: Banks, the securities sector, insurance industry, finance corporations, and money transfer services

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 8 in 2013

Number of CTRs received and time frame: Not available

STR covered entities: Banks, the securities sector, insurance industry, finance corporations, and money transfer services

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2013

Convictions: 0 in 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO *Other mechanism:* YES

With other governments/jurisdictions: YES

Maldives is a member of the Asia/Pacific Group on Money Laundering, a FATF-style regional body. Its most recent mutual evaluation can be found at:

<http://www.apgml.org/includes/handlers/get-document.ashx?d=48c4d504-09f3-4370-98c3-d7443718a21d>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Maldives' AML/CFT framework is in need of considerable improvements, both in terms of substance and implementation. Money laundering is not specifically designated as a crime under Maldivian law. Money laundering is criminalized only with respect to proceeds of offenses listed in the Drugs Act. Although all categories of offenses set out in the international standards have been criminalized, only drug-related offenses are considered predicate offenses for money laundering, constituting a major shortcoming of the current AML/CFT regime. In addition, terrorism financing is not criminalized as an autonomous offense. It is covered to a limited extent under the “aiding and abetting” clause of terrorism legislation. At the end of 2013, an AML/CFT bill is being considered by Parliament and is expected to pass.

In order to conduct a national risk assessment on money laundering and terrorism financing, the Government of Maldives needs to improve its capabilities. Several key institutions suffer from inadequate resources, including the Financial Intelligence Unit (FIU), financial sector supervisors, prosecutorial and investigative authorities, and judicial authorities. The Government of Maldives is currently working with international agencies to obtain technical assistance and training for these agencies.

Efforts to provide adequate supervision of the financial sector are still in the initial stages. The Maldives Financial Transactions Reporting Regulation, implemented by the Central Bank in 2011, requires financial institutions to submit a weekly report of financial transactions of Maldivian rufiya 200,000 (approximately \$13,000) or more, or its equivalent in a foreign currency. Approximately 1,050 currency transaction reports (CTR) are filed with the FIU every week. Authorities should take steps to ensure better compliance and understanding of AML/CFT requirements and should expand KYC and reporting requirements to include insurance agents, finance companies, money remitters and exchanges, credit card companies, lawyers, accountants, and auditors active in the country. The government also should extend its safe harbor provisions to nonbank entities.

Asset forfeiture provisions are very limited. The Government of Maldives should ensure all appropriate assets or their equivalent value can be identified and forfeited in line with international standards. Maldives Police Services, the Prosecutor General's Office, and the judiciary should work on capacity building and training to enhance their abilities to enforce the existing AML/CFT system.

On February 4, 2013, the Government of Maldives became a party to the UN Convention against Transnational Organized Crime.

Mali

Mali is not a regional financial center, and has no free trade zones or offshore sectors. Illegal proceeds derive primarily from rampant trafficking of everyday commodities, people, small arms, and narcotics across the Algerian, Nigerien, and Mauritanian borders in the sparsely-populated north of the country. Moreover, al-Qaida in the Islamic Maghreb and other al-Qaida-linked groups, known to operate in the north, are involved in smuggling as well as kidnapping for ransom to generate funds. Mali's economy is largely cash-based, making it difficult to detect illicit financial activity or track the proceeds of crime. Malian authorities believe the proceeds of cocaine trafficking in Europe may pass through Malian banks as they are returned to South America, but lack the resources to make a definitive determination.

Mali is a member of the West African Economic and Monetary Union (WAEMU), which also includes Benin, Burkina Faso, Cote d'Ivoire, Guinea-Bissau, Niger, Senegal, and Togo. All of the WAEMU members share a common currency, the West African CFA, and have developed similar AML/CFT frameworks, including legal and financial intelligence unit (FIU) structures.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: *criminally:* YES *civilly:* YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* YES

KYC covered entities: Banks, the public treasury, microfinance entities, the post office, currency exchanges, insurance companies and brokers, securities and asset brokers and managers, the regional stock exchange, mutual funds, and casinos

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 22 in 2013

Number of CTRs received and time frame: Not available

STR covered entities: Issuers of credit, guaranties, and lease/purchase agreements; banks; the public treasury; microfinance entities, the post office, and currency exchanges; insurance companies and brokers; securities and asset brokers and managers, and the regional stock exchange; mutual funds; attorneys, notaries, and auditors; real estate and travel agents; non-governmental organizations; casinos and gaming establishments; and dealers of high-value goods and precious metals and stones

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0

Convictions: 0

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* NO *Other mechanism:* YES

With other governments/jurisdictions: YES

Mali is a member of the Inter Governmental Action Group against Money Laundering in West Africa (GIABA), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.giaba.org/reports/mutual-evaluation/Mali.html>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Although Mali’s AML law designates a number of reporting entities, very few comply with their legal obligations. While businesses are technically required to report cash transactions over approximately \$10,000, most do not; and despite the operation of a number of al-Qaida-linked terrorist groups in northern Mali, the country’s FIU, the National Information Processing Unit (CENTIF), receives relatively few suspicious transaction reports (STRs) concerning possible

cases of terrorist financing. With the exception of casinos, designated non-financial businesses and professions are not subject to customer due diligence requirements.

CENTIF continues to develop closer relations with foreign FIUs. CENTIF enjoys a transparent and mutually beneficial relationship with liaison officers from the customs service, police, and gendarmerie. Significant challenges to CENTIF's efficiency remain lack of training, especially for those investigators who handle terrorist financing cases, as well as a lack of funds to provide adequate publicity and comprehensive awareness training for bank and public sector employees outside of the capital, Bamako.

Article 30 of Law 10-062 calls for the competent authority to order, by administrative decision, the freezing of funds and other financial resources of terrorists or of those who are financing terrorism or terrorist organizations. To date, Mali has not designated a competent authority, so currently there is no mechanism to freeze assets administratively. However, justice authorities may freeze without delay funds of terrorists or others involved in terrorist activities through a judicial decision. The government should designate a competent authority to fully implement Article 30.

Lack of border enforcement is a severe problem in Mali, particularly with regard to widespread smuggling and the infiltration of insurgent forces. Mali also lacks the capacity to conduct financial investigations of money laundering or terrorism financing. Mali lacks the ability to trace informal networks and money/value transfer systems, including hawala. There also is doubt as to whether the state prosecutor's office understands complex financial crimes sufficiently to be able to pursue money laundering or terrorism financing crimes effectively and to successful prosecutions. Despite CENTIF referring multiple investigations to justice authorities for prosecution, to date the government has yet to secure any convictions for money laundering or terrorism financing. The government's ability to secure such convictions may improve, owing to its creation, in 2013, of a specialized court for matters involving terrorism and organized crime.

Malta

Malta's location between North Africa and Italy makes it a transit point for narcotics and human trafficking to Europe. The country's offshore banking sector is relatively large (eight times GDP), and it is the largest ship register in Europe. According to the Malta Police Force, the major sources of illegal proceeds are trafficking of cocaine, heroin, and cannabis resin, as well as economic crimes, primarily fraud and misappropriation. The proceeds generated from these crimes are not large and are primarily based on domestic offenses. Maltese authorities have not detected any organized criminal groups committing money laundering on behalf of others. Moreover, they have detected no terrorism financing activity. Contraband smuggling does not appear to be a significant source of illicit proceeds. No specific studies have been conducted in Malta on trade-based money laundering or terrorism financing.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All crimes approach
Are legal persons covered: **criminally:** YES **civilly:** NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: **Foreign:** YES **Domestic:** NO

KYC covered entities: Banks, currency exchange offices, and money remittance/transfer services; stockbrokers; insurance companies; real estate agencies; auditors, accountants, notaries, and tax advisors; trust and asset managers, company formation agents, and nominee shareholders; casinos; auctioneers; and dealers in art, precious metals, and stones

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 127: January 1 - November 28, 2013

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks, currency exchange offices, and money remittance/transfer services; stockbrokers; insurance companies; real estate agencies; auditors, accountants, notaries, and tax advisors; trust and asset managers, company formation agents, and nominee shareholders; casinos; auctioneers; and dealers in art, precious metals, and stones

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** NO **Other mechanism:** YES

With other governments/jurisdictions: YES

Malta is a member of the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body. Its most recent mutual evaluation can be found at:

http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Malta_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

While Malta has a comprehensive legal structure to combat money laundering, there are gaps concerning the material element for providing or collecting funds to finance terrorism, which could leave room for interpretation in respect to financing of "legitimate" activities. Due to the statute's broad language, it is not clear if the terrorism financing offense covers any funds, whether from a legitimate or illegitimate source, and if direct and indirect financing are covered.

There are no financing of terrorism cases before the courts, and the existing legislative framework has not been tested.

Malta's exposure to money laundering and terrorism financing has not changed significantly since 2012. Representatives of the financial sector emphasize the risks involved with foreign deposits and investment by politically exposed persons (PEPs) from Eastern Europe and North Africa possibly being linked to tax evasion or the diversion of funds. The authorities consider the terrorism financing risk to be low. The legislative base for preventing money laundering and terrorism financing is largely in place and in line with international standards. Financial institutions in Malta appear to be generally aware of their reporting obligations. The Financial Intelligence Analysis Unit coordinates the implementation of a national risk assessment to identify gaps in combating money laundering and terrorism financing. There has been no assessment of the risk of illicit activity or terrorist financing within the non-profit organization sector.

Marshall Islands

The Republic of the Marshall Islands (RMI) consists of 29 atolls and five islands, covering 70 square miles of land, spread across 750,000 square miles of ocean. The country is economically underdeveloped and has limited resources for private sector development. The RMI signed a Compact of Free Association with the United States in 1986, and relies on the United States for the majority of its economic support. Although the Marshall Islands accounts for less than one percent of the global market for offshore financial services, making it a tiny player compared with other secrecy jurisdictions, the RMI offshore corporate sector is vulnerable to money laundering.

Non-resident domestic corporations (NRDCs), the equivalent of international business companies, can be formed online subject to approval by the Registrar. Marketers of offshore services via the internet promote the Marshall Islands as a favored jurisdiction for establishing NRDCs and handle the incorporation process for applicants. A number of Marshall Islands NRDCs have gone public on exchanges in the U.S. and Europe. NRDCs are allowed to offer bearer shares. Corporate officers, directors, and shareholders may be of any nationality and live anywhere. NRDCs are not required to disclose the names of officers, directors, shareholders, or beneficial owners listed with the Registrar, and corporate entities may act as directors, officers, and shareholders. The Registrar does not release the number of NRDCs or other offshore corporate operations. The corporate registry program does not allow the registering of offshore banks or insurance firms, online gaming institutions, or other companies which are financial in nature. All known parties to any corporate or maritime transaction are vetted by the Registry through a commercial database, which combines the UN, U.S., EU, and other national and international specially designated national lists. NRDCs must maintain a registered agent in the Marshall Islands, and corporations can transfer domicile into and out of the RMI with relative ease. In addition to NRDCs, the RMI offers resident partnerships, unincorporated associations, and limited liability companies through the Attorney General's office.

There are two banks in the country, the Bank of the Marshall Islands and a branch office of the Bank of Guam. There are no brokerage houses or other types of financial firms in the country.

Land is almost never sold due to customary land tenure practices. There are no realtors, nor are there casinos or other entities typically used to launder money.

The Trust Company of the Marshall Islands, Inc., the Registrar for NRDCs, and the Office of the Maritime Administrator (collectively the Registry) administer a registration program of corporations and ships. The RMI shipping fleet is the third largest flagged fleet in the world, although few of the vessels frequent the Marshall Islands. The port of Majuro is visited mainly by tuna fishing boats, with a few cargo ships per month delivering food and fuel to the nation.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, credit institutions, and finance companies; insurance companies, brokers, and intermediaries; brokers and dealers of securities, exchange and interest rate instruments, futures, and options; businesses issuing, selling, or redeeming traveler's checks, money orders, or similar instruments; payroll service businesses involved in collecting, holding, and delivering cash; gaming houses, casinos, and lotteries; bullion and currency dealers and exchanges; money transmission services

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 20 in 2013
Number of CTRs received and time frame: 3,310 in 2013
STR covered entities: Banks, credit institutions, and finance companies; insurance companies, brokers, and intermediaries; brokers and dealers of securities, exchange and interest rate instruments, futures, and options; businesses issuing, selling, or redeeming traveler's checks, money orders, or similar instruments; payroll service businesses involved in collecting, holding, and delivering cash; gaming houses, casinos, and lotteries; bullion and currency dealers and exchanges; money transmission services

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2013
Convictions: 0 in 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other mechanism:*** YES

With other governments/jurisdictions: YES

The Marshall Islands is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its mutual evaluation can be found at:

<http://www.apgml.org/documents/search-results.aspx?keywords=Marshall+Islands>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of the Marshall Islands has filed two money laundering cases. Both were dismissed by the RMI High Court. There is a need for greater institutional capacity to successfully prosecute money laundering cases. The RMI should tighten enforcement of tipping-off provisions, ensure designated non-financial businesses and professions are fully reporting, and ensure beneficial ownership is properly established.

Under RMI law, both the Banking Act and the Counter-Terrorism Act provide for the freezing, seizing, and/or detaining of terrorist assets. This authority, vested primarily in the Attorney General, allows for the immediate detention of funds when the Attorney General has reasonable grounds to believe the funds are intended to be used in the commission of a serious offense, including the financing of terrorism.

The Marshall Islands has signed tax treaties with 14 other jurisdictions. The RMI should ensure its offshore sector is adequately supervised, and information on company ownership and management is available to law enforcement and supervisory authorities. The RMI is proposing changes to its legal code that are expected to be enacted into law in 2014.

Mauritania

The Islamic Republic of Mauritania has a largely informal and under-developed economy. Its economic system suffers from a combination of weak government oversight, lax financial auditing standards, a large informal trade sector, porous borders, and corruption in government and the private sector. Only an estimated four percent of Mauritanian adults have bank accounts, and informal banking and financial systems remain vulnerable to exploitation. In recent years, Mauritania has become a transshipment point for cocaine from South America intended for the European market. Smuggling, trafficking in vehicles, parallel financial networks, and the provision of logistical support for organized international drug traffickers are all serious problems. The Government of the Islamic Republic of Mauritania has continued an aggressive campaign against terrorist networks, including al-Qaida in the Islamic Maghreb.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: **criminally:** YES **civilly:** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: **Foreign:** YES **Domestic:** YES

KYC covered entities: Banks, money changers, and money remitters; lawyers, notaries, accountants, and auditors; real estate and travel agents; dealers of high-value art and precious metals and stones; and non-governmental organizations

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 5: January 1 - November 17, 2013

Number of CTRs received and time frame: 0 in 2013

STR covered entities: Banks, money exchanges, and remittance offices; lawyers, notaries, accountants, and auditors; real estate and travel agents; dealers of high-value art and precious metals and stones; and non-governmental organizations

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2013

Convictions: 0 in 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** NO **Other mechanism:** YES

With other governments/jurisdictions: YES

Mauritania is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a FATF-style regional body. Its most recent mutual evaluation report can be found at: <http://www.menafatf.org/TopicList.asp?cType=train>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

While Mauritania has been successful in creating a legal and institutional framework to fight financial crimes, there remain many challenges to its successful implementation, especially given Mauritania’s cash-based and informal economy. All natural and legal persons are covered under Mauritania’s AML/CFT laws and are subject to both criminal and civil penalties, depending upon the crime committed. In 2012, the Office of the Inspector General of the State and the Financial Information Analysis Commission (CANIF), Mauritania’s financial intelligence unit, were empowered to lead efforts to identify, prevent, and reduce corrupt practices and financial crimes, including financial crimes linked to narcotics and terrorism financing networks. In 2013, Mauritanian police started receiving training on terrorism financing investigations.

The CANIF has direct responsibility for overseeing AML/CFT activities. CANIF falls under the jurisdiction of the Central Bank of Mauritania and is unique in Mauritania in its comprehensive “whole of government” approach. CANIF includes representatives of the Ministries of Finance

and Justice, as well as the customs authority, national police, and Gendarmerie working together to counter financial crimes. CANIF releases annual reports on financial crime in Mauritania.

Although all recommended entities are covered under the AML law, current regulations only require banks and formal money exchange and remittance offices to report suspicious transactions; however, few do. Moreover, monitoring informal financial markets remains a challenge in Mauritania. Mauritanian authorities are aware of these issues and are working to formalize financial transactions to the extent possible and to devise mechanisms to prevent the exploitation of the informal financial system for illegal purposes. The Government of the Islamic Republic of Mauritania should take steps to expand reporting and KYC requirements to additional financial and non-financial entities, as well as take steps to enforce compliance with mandatory reporting already in effect. Mauritanian law enforcement and the judiciary should investigate and prosecute money laundering and related crimes.

Mauritius

Mauritius has developed a reputation as a well-regulated and credible international financial center. Based on investigations and prosecutions of money laundering cases carried out in Mauritius, laundered funds are primarily the proceeds from drug trafficking – mainly heroin and the prescription drug, subutex (a brand name for buprenorphine, an opiate used to treat heroin dependence, which is illegal in Mauritius). Other important predicate crimes for money laundering include aggravated larceny, conspiracy, forgery, swindling, Ponzi schemes, and corruption. Criminal proceeds laundered in Mauritius are not controlled by drug trafficking organizations or organized criminal groups. Based on recent police investigations reported in the media, money laundering occurs in the banking system, the offshore financial center, and the non-bank financial system. Criminal proceeds are derived from both domestic and foreign criminal activities. There is no known black market for smuggled goods in Mauritius.

The Global Business Sector in Mauritius, an offshore financial center, is a major foreign investment route into the Asian sub-continent. As of October 2013, there are close to 27,400 global business companies (GBCs) in Mauritius, including 900 licensed global funds. The offshore sector also includes management companies licensed by the Financial Service Commission to provide professional services to GBCs. Shell companies and bearer shares are not allowed in Mauritius nor are nominee or anonymous directors or trustees.

The Mauritius Freeport, a free-trade zone (FTZ), was established to promote the country as a regional FTZ center for Eastern and Southern Africa and the Indian Ocean rim. As of early November 2013, there are 265 operators in the Freeport. Freeport net sales in 2012 are estimated at \$733 million. Estimates are not yet available for 2013.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN

THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: **criminally:** YES **civilly:** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: **Foreign:** YES **Domestic:** YES

KYC covered entities: Banks, insurance companies, securities dealers, money changers, foreign exchange dealers, accountants, lawyers, notaries, chartered secretaries, gaming centers, jewelry dealers, property developers and promoters, and estate agents

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 328: January 1 - November 15, 2013

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks, insurance companies, securities dealers, money changers, foreign exchange dealers, accountants, lawyers, notaries, chartered secretaries, gaming centers, jewelry dealers, property developers and promoters, and estate agents

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 18: January 1 - November 8, 2013

Convictions: 13: January 1 - November 8, 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** NO **Other mechanism:** NO

With other governments/jurisdictions: YES

Mauritius is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.esaamlg.org/reports/view_me.php?id=173

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Legislation to correct deficiencies and amend the Government of Mauritius’ AML/CFT regime has been pending since 2006. Limited capacity and training of the judiciary and the Independent Commission against Corruption also compromise Mauritius’ ability to successfully combat various forms of money laundering. Stronger support of judges to carry cases through successful prosecution is needed. Although international law enforcement coordination is possible via the 2003 Mutual Assistance in Criminal and Related Matters Act, sharing of information is a lengthy and uncertain process. Timely access to financial documents domestically is also a problem.

While Mauritius has a legal framework enabling it to freeze terrorist-related assets without delay, its ability to do so is subject to compliance with judicial proceedings. Under the 2012 Asset Recovery Act (ARA), the enforcement authority can make an urgent application to a judge to freeze terrorist assets without delay.

On October 30, 2012, the ARA was amended to give the Director of Public Prosecutions the power to confiscate or recover assets accumulated illegally during the ten years preceding commencement of the act. The Asset Recovery Unit of the Director of Public Prosecutions Office has thus far not seized any assets; however, it has made several successful applications to the court for the freezing of tainted assets. An application for final orders to forfeit these assets will be made once the court adjudicates the criminal cases.

Mexico

Mexico is a major drug producing and transit country. Proceeds from the illicit drug trade leaving the United States are the principal source of funds laundered through the Mexican financial system. Other significant sources of illegal proceeds being laundered include corruption, kidnapping, extortion, piracy, human trafficking, and trafficking in firearms. Sophisticated and well-organized drug trafficking organizations based in Mexico take advantage of the extensive U.S.-Mexico border, the large flow of legitimate remittances, Mexico's proximity to Central American countries, and the high volume of legal commerce to conceal transfers to Mexico. The smuggling of bulk shipments of U.S. currency into Mexico and the repatriation of the funds into the United States via couriers or armored vehicles, trade, and wire transfers remain favored methods for laundering drug proceeds. Though the combination of a sophisticated financial sector and a large cash-based informal sector complicates the problem, the 2010 implementation of U.S. dollar deposit restrictions reduced the amount of bulk cash repatriation back to the United States via the formal financial sector by approximately 70 percent, or \$10 billion. According to U.S. authorities, drug trafficking organizations send between \$19 and \$29 billion annually to Mexico from the United States, though the Government of Mexico disputes this figure. Since 2002, Mexico has seized a total of more than \$500 million in bulk currency shipments.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: criminally: NO civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES

KYC covered entities: Banks, mutual savings companies, insurance companies, securities brokers, retirement and investment funds, financial leasing and factoring funds, casas de cambio, centros cambiarios (unlicensed foreign exchange centers), savings and loan

institutions, money remitters, SOFOMES (multiple purpose corporate entity), SOFOLES (limited purpose corporate entity), general deposit warehouses, casinos, notaries, lawyers, accountants, jewelers, realtors, non-profit organizations, armored car transport companies, armoring services, construction companies, art dealers and appraisers, credit card system operators, pre-paid card services, and traveler's checks services

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 117,731: October 2012 - November 2013

Number of CTRs received and time frame: 6,946,000: October 2012 - November 2013

STR covered entities: Banks, mutual savings companies, insurance companies, securities brokers, retirement and investment funds, financial leasing and factoring funds, casas de cambio, centros cambiarios (unlicensed foreign exchange centers), savings and loan institutions, money remitters, SOFOMES, SOFOLES, general deposit warehouses, casinos, notaries, lawyers, accountants, jewelers, realtors, non-profit organizations, armored car transport companies, armoring services, construction companies, art dealers and appraisers, credit card system operators, pre-paid card services, and traveler's checks services

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES ***Other mechanism:*** YES

With other governments/jurisdictions: YES

Mexico is a member of the FATF and the Financial Action Task Force in South America (GAFISUD), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.fatf-gafi.org/countries/j-m/mexico/>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In Mexico, the financial intelligence unit (FIU), the National Banking Commission (CNBV), and the Attorney General's Office are the main agencies involved in AML regulation. The October 2012 Federal Law on the Prevention and Identification of Illicit Financial Operations greatly expands the number of financial and designated non-financial entities required to submit reporting on financial transactions. The law requires cash intensive businesses considered vulnerable to money laundering to identify their customers, apply new restrictions to cash transactions, and report large transactions to the government. The law also requires certain businesses and professionals to report cash transactions over pre-determined limits, and bans the use of cash for transactions over set amounts. The law is facing a barrage of legal challenges from businesses now confronted with additional legal and compliance obligations. The legal challenges – at least 65 cases were filed in 2013 – may reach Mexico's Supreme Court, but the regulations and reporting requirements included within the law likely will be upheld, according to local experts.

Money Laundering and Financial Crimes

On November 26, 2013, Mexico's legislative branch approved a financial sector reform that includes several elements intended to improve the country's anti-illicit finance framework. The new laws authorize the CNBV to publish on its website information on administrative sanctions it applies to financial institutions. Previously, the law barred the Commission from making this information public. The law grants enhanced powers to the CNBV to cooperate with the Secretariat of Finance's FIU in the prosecution of illicit finance cases. The changes also give greater latitude to financial institutions in Mexico to share information with foreign governments related to illicit finance or tax evasion investigations.

Mexico should put in place a system to identify and freeze terrorist assets without delay.

Micronesia, Federated States of

The Federated States of Micronesia (FSM) is not a hub for finance of any kind. The FSM is small, remote, and poor. There are no free trade zones. Because of its low level of financial sophistication, the FSM is historically at low risk for money laundering, terrorism financing, and smuggled products. Public corruption exists and extends to directing public contracts and employment to unqualified companies or persons; there are no reliably accurate estimates of the amount of proceeds derived from such corruption.

Both the legislative and executive branches of the government have declined to allocate funds for the FSM to join any financial information sharing organization, which has stymied the successful prosecution of cases with international links. Should the government enact legislation authorizing the long-delayed building of a casino in Pohnpei or the similarly stalled Chinese resort and casino project in Yap, money laundering concerns would rise significantly.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: **criminally:** YES **civilly:** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* NO *Domestic:* NO

KYC covered entities: Banks, cash dealers, insurers, bingo parlors, trustees, and money transaction services

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not applicable

STR covered entities: All banks

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0

Convictions: 0

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO **Other mechanism:** NO

With other governments/jurisdictions: NO

Micronesia is an observer of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. It has not been the subject of a mutual evaluation.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Financial Intelligence Unit (FIU) of the National Police receives suspicious transaction reports (STRs) through the Department of Justice (DOJ). The FIU consists of a single police officer. It has no operational or budgetary independence and relies entirely on the DOJ for funding and the National Police for staff. The officer has both criminal investigative and regulatory responsibilities. Inadequate police training and lack of resources significantly diminish the investigative abilities of both police and FIU staff. There have been no arrests, prosecutions, or convictions for money laundering since the FSM criminalized the offense in 2001.

The FSM has yet to criminalize terrorism financing or the commission of terrorist acts. The FSM should make the criminalization of terrorist acts and terrorism financing a priority, and establish an effective enforcement mechanism.

Money laundering statutes provide for the seizure of “tainted” property, as well as any benefits derived from the commission of a money laundering offense. Authorities have never seized or confiscated any property under the money laundering statute. There are no provisions for non-conviction-based forfeiture. The FSM should support the investigation of money laundering cases and the seizure and confiscation of assets where appropriate.

Local institutions and personnel lack the training and capacity to fully enforce the law and its attendant regulations. Although both are legally obligated, only one of the two banks in FSM currently reports STRs.

Moldova

Moldova is not considered a regional financial center. The economy is largely cash-based and remains highly vulnerable to money laundering activities. The Government of Moldova monitors money flows throughout the country, but does not exercise control over its breakaway region of Transnistria. Transnistrian authorities do not adhere to Moldovan financial controls and maintain a banking system independent of, and not licensed by, the National Bank of

Moldova. Transnistria is highly susceptible to money laundering schemes and is not in compliance with any accepted AML norms. Criminal proceeds laundered in Moldova derive substantially from tax evasion, contraband smuggling, fraud, and corruption. Money laundering has occurred in the banking system and in exchange houses, along with offshore financial centers in Transnistria. Fifteen banks constitute the Moldovan financial system. Neither offshore banks nor shell companies are permitted to operate in Moldova; despite this ban, shell companies continue to be used to launder illicit proceeds. Internet gaming sites do exist, although no statistics are available on the number of sites in operation. Internet gaming comes under the same set of regulations as domestic casinos. Enforcement of the regulations is sporadic.

Moldova contains six free trade zones (FTZs), some of which are infrequently used. Reportedly, goods from abroad are sometimes imported into the FTZ and then resold and exported to other countries with documentation indicating Moldovan origin. Companies operating in FTZs are subject to inspections, controls, and investigations by inspectors from the Customs Service and the Center for Combating Economic Crime and Corruption (CCECC).

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES

KYC covered entities: Banks, currency exchange offices, investment funds, investment or fiduciary service providers and management companies, deposit companies, fiduciary companies, securities dealers, stock exchange companies, brokers, insurance and reinsurance companies, company formation agents and ownership registries, gaming and lottery organizers and institutions (including internet casinos), real estate agents, dealers of precious metals or gems, auditors, accountants and financial consultants, lawyers, notaries, and organizations which provide postal and telephone mandate exchange or value transfer services

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not available

STR covered entities: Banks, currency exchange offices, investment funds, investment or fiduciary service providers and management companies, deposit companies, fiduciary companies, securities dealers, stock exchange companies, brokers, insurance and reinsurance

companies, company formation agents and ownership registries, gaming and lottery organizers and institutions (including internet casinos), real estate agents, dealers of precious metals or gems, auditors, accountants and financial consultants, lawyers, notaries, and organizations that provide postal and telephone mandate exchange or value transfer services

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: 2: January - November 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO **Other mechanism:** YES

With other governments/jurisdictions: YES

Moldova is a member of the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body. Its most recent mutual evaluation can be found at:

http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Moldova_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Moldova continues to make progress in instituting a legal framework for combating money laundering that is consistent with international standards. In 2013, the former CCECC was reorganized into the National Anticorruption Center (NAC). Despite the reorganization, the financial intelligence unit (FIU) has kept its institutional independence and remains housed at the NAC. In addition, the FIU continued to increase its operational capacity by securing electronic access to additional governmental databases.

From January to November 2013, the Moldovan FIU received 768,000 suspicious transaction reports (STRs) and currency transaction reports (CTRs). The breakdown between reporting categories is not available. The large majority of STRs are reported by banks, which indicates a lack of awareness by some of the reporting entities, especially in the designated non-financial businesses and professions sector. During the same time period, 30 money laundering related criminal investigations were initiated. Various law enforcement authorities are involved in AML/CFT investigations. The Criminal Investigation Directorate is primarily responsible for receiving STRs disseminated by the FIU. The level of knowledge related to the financial aspects of investigations, asset identification, and tracing does not appear to be very comprehensive. There is also a lack of cooperation and coordination among the various law enforcement authorities that pursue financial crimes.

The use of shell companies in money laundering schemes continues, and it appears that neither the current company registration rules nor corporate criminal liability have proved to be sufficient to entirely overcome this phenomenon.

In December 2013, the Moldovan Parliament passed statutes addressing illicit enrichment and extended confiscation, provisions drafted by the Ministry of Justice in the framework of

Moldova's national Justice Sector Reform Strategy. Based on the five-year reform action plan, all FIU staff passed a required polygraph test.

Moldova should continue to review and amend the criminal procedure code to institute non-conviction based confiscation and to permit special investigative techniques to be applied to a wider range of offenses associated with money laundering and terrorism financing. Additionally, Moldova should criminalize tipping off.

Monaco

The Principality of Monaco is the second-smallest country in Europe but is considered a major banking center that closely guards the privacy of its clients. It has worked in recent years to comply with international requirements for greater openness and sharing of information. It is linked closely to France and to the economic apparatus of the EU through its customs union with France and its use of the euro as its official currency.

Monaco's state budget is based primarily on tourism, taxes, duties, and excise taxes which account for 75 percent of the total income; casino revenues constitute less than three percent of the state budget. Private banking and fund management dominate the financial sector. Monaco does not have a formal offshore sector, but approximately 60 percent of the banking sector's total assets and deposits are owned by foreigners. Monaco publishes information about its financial sector, but banking information is not published. Credible sources estimate the country's 36 banks and three financial institutions hold more than 300,000 accounts and manage total assets of about 750 billion euros (approximately \$1,033 trillion).

Money laundering charges relate mainly to offenses committed abroad. The Principality does not face ordinary forms of organized crime, nor is there a significant market for smuggled goods.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES

KYC covered entities: Banks and credit societies; the post office; money exchanges and remitters; portfolio and fund managers and securities brokers/dealers; insurance firms; financial advisors and intermediaries; casinos; real estate agents; dealers of high-value goods,

antiques, art, and precious stones and metals; lawyers; notaries; trustees and company service providers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 503 in 2012

Number of CTRs received and time frame: Not available

STR covered entities: Banks; insurance companies; stockbrokers, corporate service providers, portfolio managers, and trustees; casinos; money remitters; real estate brokers; business, legal, or tax advisors; dealers in precious stones, precious materials, antiquities, fine art, and other valuable assets; lawyers; notaries; accountants

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 17 in 2012

Convictions: 1 in 2012

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO ***Other mechanism:*** YES

With other governments/jurisdictions: YES

Monaco is a member of the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body. Its most recent mutual evaluation can be found at:

http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Monaco_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Monaco should enhance the authority of its financial intelligence unit (FIU) to forward reports and share financial intelligence with law enforcement and foreign FIUs even when the report or information does not relate specifically to drug trafficking, organized crime, or terrorist financing. Although there is a 2007 agreement between Monaco and the United States regarding sharing of confiscated proceeds of crime, Monaco should expand its asset sharing program to other international partners. Monaco also should move to enhance its ability to freeze terrorist assets and examine the threshold for reporting large cash transactions.

The Government of Monaco should become a party to the UN Convention against Corruption.

Mongolia

Mongolia is not a regional financial center. There are few financial and economic crimes, although numbers have increased in the last five years. Mongolia is vulnerable to low-grade transnational crime due to the growth in tourism, investment, and remittances from abroad, but the overall rate of these crimes has not increased. The risk of domestic corruption remains significant as Mongolia's rapid economic growth continues, although the Independent Agency Against Corruption (IAAC) is gaining traction as a watchdog and this year's dramatic decrease in foreign direct investment mitigates that risk somewhat.

Money Laundering and Financial Crimes

Mongolia's limited capacity to monitor its extensive borders with Russia and China is a liability in the fight against smuggling and narcotics trafficking, but drug use and trafficking remain limited and unsophisticated. There is a black market for smuggled goods, which appears largely tied to tax avoidance rather than drug trafficking. There are no indications that international narcotics traffickers exploit the banking system, and no instances of terrorism financing have been reported.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks; lending, factoring, and financial leasing institutions; issuers of guaranties and payment instruments; trusts; savings and credit cooperatives; insurance companies; securities dealers, remittance services, and foreign currency exchanges; pawnshops; and casinos (although casinos are currently prohibited in Mongolia)

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 189: January 1 – July 1, 2013
Number of CTRs received and time frame: 203,836: January 1 – July 1, 2013
STR covered entities: Banks

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 1 in 2013
Convictions: 0 in 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other mechanism:*** YES
With other governments/jurisdictions: YES

Mongolia is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at:
<http://www.apgml.org/members-and-observers/members/member-documents.aspx?m=ee2ef268-6106-40ec-806e-bec3987f9f88>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Mongolia's 2013 amendments and revisions to the AML/CFT provisions improve on previous efforts by adding provisions to protect those filing reports of suspicious activity, to identify and forfeit assets, and to freeze terrorist assets. It is not clear if the government has the capacity to fully enforce this law. Noted deficiencies in Mongolia's AML/CFT regime include inadequate procedures to identify and freeze terrorist assets, weak regulation of money service providers, a lack of expertise in conducting financial crimes investigations, insufficient experience and expertise in prosecuting and adjudicating such cases, and a lack of a law enforcement unit dedicated to such investigations, among others.

Mongolia plans further amendments to its criminal code to address deficiencies in its criminalization of money laundering and terrorist financing. Although authorities have opened financial crime cases during the past year, the lack of a single successful prosecution to date illustrates deficiencies in enforcement. While highly professional, the financial intelligence unit (FIU) appears under-staffed, and coordination with other law enforcement organizations remains deficient. Similar challenges face both law enforcement and the judiciary. Mongolia is actively working toward improving national coordination as well as further capacity building within the FIU.

Mongolia should continue to seek to amend its existing financial rules and regulations to bring them more in line with international practice and standards. The government should increase the training for those responsible for enforcing money laundering laws, especially for those investigating and prosecuting money laundering cases.

Montenegro

Montenegro continues to struggle to improve its capacity to prevent and address money laundering, organized crime, and corruption. Criminal organizations, including sophisticated international narcotics trafficking enterprises, have a presence in Montenegro. Montenegro is also a transit country for illegal goods. The country's ports have been used by criminals as a staging area to unload illicit cargo and reload it onto other vessels with onward shipping to Central and Western Europe. Criminal groups in Montenegro traffic in stolen cars, narcotics, cigarettes, and counterfeit products. Proceeds of narcotics trafficking, tax evasion, internet fraud, and other illegal activities are laundered through Montenegro's construction and real estate industries.

Criminals resident in Montenegro have engaged in money laundering schemes in which they deposit proceeds of illicit transactions into offshore accounts and take back the funds in the form of loans, which they never repay. According to Montenegrin authorities, most illegal proceeds come from Russia, Estonia, Switzerland, and the Czech Republic. A recent case of international money laundering involved criminals using aspects of Delaware corporate laws to set up companies that facilitated the movement of illicit money to Montenegro. These funds were, in turn, used to purchase real estate, luxury consumer goods, and businesses.

Public perception of corruption in Montenegro remains widespread. Factors that facilitate and increase Montenegro's vulnerability to money laundering are the use of cash for many

Money Laundering and Financial Crimes

commercial transactions, the absence of a non-conviction-based asset forfeiture law, weak financial crimes enforcement, and a lack of monetary controls over currency use in the country, which uses the euro but is not a eurozone member country.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach

Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES

KYC covered entities: Banks, savings banks, savings and loan institutions, and loan brokers; post offices and organizations performing payment, e-money, or credit card transactions; stock brokers and investment and pension fund managers; insurance brokers and companies dealing with life assurance; organizers of lotteries and special games of chance; exchange offices; pawnshops; audit companies, independent auditors, and tax advice services; humanitarian, nongovernmental, and other non-profit organizations; sellers and purchasers of claims; financial proxies; safekeeping and guaranty firms; property managers; financial leasing companies; sports organizations; catering services; travel and real estate agents; motor vehicle, vessel, and aircraft dealers; credit agencies; auctioneers and traders of works of art, high-value goods, and precious metals and stones

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 93: January 1 - November 18, 2013

Number of CTRs received and time frame: 57,620: January 1 - November 18, 2013

STR covered entities: Banks, savings banks, savings and loan institutions, and loan brokers; post offices and organizations performing payment, e-money, or credit card transactions; stock brokers and investment and pension fund managers; insurance brokers and companies dealing with life assurance; organizers of lotteries and special games of chance; exchange offices; pawnshops; audit companies, independent auditors, and tax advice services; humanitarian, nongovernmental, and other non-profit organizations; sellers and purchasers of claims; financial proxies; safekeeping and guaranty firms; property managers; financial leasing firms; sports organizations; catering services; travel and real estate agents; motor vehicle, vessel, and aircraft dealers; credit agencies; auctioneers and traders of works of art, high-value goods, and precious metals and stones

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 4: January 1 - November 20, 2013

Convictions: 5: January 1 - November 20, 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO **Other mechanism:** YES

With other governments/jurisdictions: YES

Montenegro is a member of the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body. Its most recent mutual evaluation can be found at:

http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Montenegro_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Relevant government bodies suffer from a lack of funding, administrative capacity, financial crimes expertise, and technology, all of which inhibit adequate implementation of existing legislation to combat money laundering and terrorism financing. As a result, cases of money laundering often remain undetected in Montenegro. Furthermore, the government must take steps to fully harmonize its laws with international standards. Montenegro has prepared a new bill on the Prevention of Money Laundering and Terrorism Financing. The bill is aimed at strengthening the legal framework and, in particular, the sanctioning system. In November 2012, Montenegro adopted legislation requiring identifying information about the payer in electronic transfers.

The number of suspicious transaction reports (STRs) filed by non-bank sectors remains low. Authorities have blamed the reduction of foreign investments in the country and the global economic crisis that has affected the financial sector for the low number of STRs. Relevant government bodies also claim that outdated technology systems and insufficient administrative capacities hinder their work related to discovering financial crimes. In 2013, the financial intelligence unit (FIU), the Administration for the Prevention of Money Laundering, charged three banks with misdemeanors for failing to file STRs. In the first 11 months of 2013, authorities initiated misdemeanor charges in 28 cases, and collected fines in 23 cases in the amount of €62,000 (approximately \$83,700). Montenegro's cash-based society makes for an unusually large number of currency transaction reports (CTRs) for the size of the population. Montenegro needs a better system to identify questionable currency transactions, which are often hidden in the sheer volume of CTRs. Additional guidelines and training are needed for relevant organizations to raise awareness of their reporting obligations.

In July 2013, Montenegro adopted amendments to its criminal code dealing with illicit trade, banking, stock exchange and insurance activities, misuse of confidential information, manipulation of the stock exchange and other financial instruments, and terrorism financing.

The FIU functions as part of the Ministry of Finance, impeding its full independence to investigate all claims of money laundering. Its capacity remained unchanged in 2013. During the year, the FIU adopted regulations on its internal organization and division of responsibilities. The FIU's current information technology system is outdated, and the FIU has a very high staff turnover; the FIU also has no enforcement authority. The Government of Montenegro should

improve the coordination among its financial supervisory authorities. Additionally, the FIU, Central Bank, State Prosecutor's Office, and Ministry of Internal Affairs all engage in preventing money laundering and terrorism financing; however, the existing memoranda of understanding among them are not always enforced effectively, hampering implementation. The government also should increase the capacity of the police and the State Prosecutor's Office to carry out complex financial, money laundering, and terrorism financing investigations. During the first 11 months of 2013, authorities sentenced five persons to prison for cases of money laundering; the sentences ranged from six months to three years.

Although legal and institutional mechanisms to fight corruption have been strengthened, the public perception is that corruption remains pervasive, due to a lack of convictions in high profile cases. The fact that all high level corruption cases have been uncovered by third parties also remains a matter of concern. Authorities pressed no charges against politicians or high state officials for money laundering. Organized crime remains a serious concern in Montenegro and is linked to corruption. The government should demonstrate greater political will to pursue the most sensitive cases in these areas.

There are concerns with asset seizures and property confiscation. While the law allows for the temporary seizure of criminally obtained money and/or property, the capacity of the Public Property Administration, which is responsible for the management of seized assets, is low and needs to be strengthened. Montenegrin institutions showed a low capacity to process and complete the procedure for confiscation of illegally obtained property and assets. For example, in 2013, out of \$60.8 million of confiscated property and assets in three organized crime cases, only \$108,000 (0.2 percent) of the assets are being managed and operated by the Public Property Administration. Montenegro is preparing to establish a separate agency that will be responsible for the confiscation of illegally obtained property and assets. At present, Montenegrin law does not meet international standards in that a criminal conviction is required in order to freeze assets.

In 2013, Montenegro established a nationwide risk assessment body aimed at addressing AML/CFT vulnerabilities and appointed the Deputy FIU Director to serve as a national coordinator, overseeing seven working groups. Besides the FIU, which takes the risk assessment lead, the following bodies and institutions are also included: Chief State Prosecutor's Office, Ministry of Internal Affairs, Anti-Corruption Administration, Ministry of Justice, Customs Administration, Inland Revenue, State Security Agency, State Property Agency, Supreme Court, Ministry of Defense, Ministry of Finance, Central Bank, Securities Commission, Central Depositary Agency, Agency for Insurance Oversight, Administration for Games of Chance, Inspectorate General, Central Registry of Business Companies, National Statistics Office, Ministry of Foreign Affairs and European Integration, Institute of Certified Accountants and Auditors, Bar Chamber, Notary Chamber, Business Chamber, and Montenegro Stock Exchange.

In July 2013, the National Commission for Prevention of Money Laundering and Terrorism Financing implemented a detailed action plan for the suppression of money laundering and terrorism financing for 2013-2014. The action plan contains a series of benchmarks, such as expanding technical capacities and strengthening intelligence systems, setting out responsible parties, and timelines for implementation. The government is also implementing actions related

to Chapters 23 (Judiciary) and 24 (Justice, Freedoms, and Security) of the EU accession process, in an effort to strengthen the rule of law.

Montenegro has a good working relationship with the United States Drug Enforcement Administration, as well as British and other foreign law enforcement. In 2013, Montenegro signed bilateral agreements on financial intelligence data exchange with Panama, Saudi Arabia, and India. The framework for international judicial cooperation in money laundering/terrorism financing cases is generally comprehensive. Although the government has signed bilateral cooperation agreements with a number of countries, Montenegrin authorities should do more to strengthen the implementation of AML regulations.

Montenegrin authorities do not consider Montenegro to be vulnerable to terrorism or a haven for terrorism financing. The FIU is currently investigating one possible case of terrorism financing in 2013. The country's capacity to detect actions related to terrorism financing, however, remains limited.

Montenegro's administrative capacity for conducting money laundering/terrorism financing investigations should be strengthened. Similarly, further efforts are needed to improve information exchange among government stakeholders to ensure adequate implementation of AML/CFT rules and investigation of cases, and to enhance cooperation among the FIU, the supervisory bodies, and the sectors charged with enforcing legislation. There is also a need for increased public awareness of the problem of money laundering and its connection to narcotics and corruption. The government should take steps to improve financial crimes investigations and enhance the supervisory system for banks and all other obligors, in particular gaming houses and casinos.

Montserrat

Montserrat has one of the smallest financial sectors of the UK's Caribbean Overseas Territories. Less than 5,000 people are resident on the island. Montserrat's operating budget is largely funded by the British government and administered through the Department for International Development.

There are few offenses committed in Montserrat that generate substantial illicit profits. The low number of transactions generated in the financial sector suggests that criminal monies are not entering the mainstream economy through financial institutions.

Montserrat's international business companies are required to have a locally licensed company manager as registered agent, or in the case of trusts, a locally licensed trust company with responsibility for undertaking know-your-customer procedures and monitoring AML compliance.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: criminally: YES civilly: NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: NO
KYC covered entities: Banks, securities dealers, money transmission services, company management services, and financial leasing companies

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks, securities dealers, money transmission services, company management services, and financial leasing companies

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES **Other mechanism:** YES

With other governments/jurisdictions: YES

Montserrat is a member of the Caribbean Financial Action Task Force (CFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: https://www.cfatf-gafic.org/index.php?option=com_docman&task=cat_view&gid=339&Itemid=418&lang=en

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Montserrat's Financial Services Commission is not adequately structured and staffed to effectively carry out its functions. There are insufficient human resources, and the staff for money laundering investigations also performs other policing functions. The lack of resources and personnel may reduce the effectiveness of current regulations. There should be additional training in AML/CFT for customs officials.

Montserrat is a British Overseas Territory and cannot sign or ratify international conventions in its own right. Rather, the UK is responsible for Montserrat's international affairs and may arrange for the ratification of any convention to be extended to Montserrat. The 1988 UN Drug Convention was extended to Montserrat in 1995. The UN Convention against Corruption, the

International Convention for the Suppression of the Financing of Terrorism, and the UN Convention against Transnational Organized Crime have not yet been extended to Montserrat.

Morocco

Morocco is well integrated into the international financial system but is not a regional financial center. Money laundering is a concern due to Morocco's international narcotics trade, vast informal sector, trafficking in persons, and large level of remittances from Moroccans living abroad. Cash-based transactions in connection with Morocco's substantial trade in cannabis are of particular concern. While some of the narcotics proceeds are laundered in Morocco, most proceeds are thought to be laundered in Europe. Approximately three of ten Moroccans use banks, while credible estimates of Morocco's informal financial sector place it at nearly 15 percent of GDP. The predominant use of cash, informal value transfer systems, and remittances from abroad help fuel Morocco's informal financial sector. In 2012, remittances from Moroccans living abroad were approximately seven percent of GDP and drove household consumption in large segments of the population.

Morocco has seven free trade zones (FTZs). Presently, offshore banks are located only in the Tanger Free Zone, although they could operate in additional FTZs in the future. They are regulated by an interagency commission chaired by the Ministry of Finance. The FTZs also allow customs exemptions for goods manufactured in the zone for export abroad. Morocco's financial intelligence unit (FIU) reports suspicion of money laundering schemes using the Tanger Free Zone.

Criminal activities of particular risk include bulk cash smuggling and unverified reports of trade-based money laundering, including invoice fraud and the purchase of smuggled goods. Most businesses are cash-based with little invoicing or paper trails. Evasion of foreign exchange controls is also believed to contribute to Morocco's money laundering problem. Unregulated money exchanges remain a problem in Morocco; the country's vast informal sector creates conditions for the continued use of these entities. The FIU has noted the use of fraudulent bank transfers and prepaid credit cards in money laundering schemes, as well as the difficulty in regulating the real estate sector, which is neither formalized nor transparent.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: List approach
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: **Foreign:** YES **Domestic:** YES

KYC covered entities: Domestic and offshore banks, finance companies, insurance industry, lawyers, accountants, real estate intermediaries, and gaming operators

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 169 in 2012

Number of CTRs received and time frame: Not applicable

STR covered entities: Domestic and offshore banks, finance companies, insurance industry, lawyers, accountants, real estate intermediaries, and gaming operators

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES ***Other mechanism:*** YES

With other governments/jurisdictions: YES

Morocco is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.menafatf.org/TopicList.asp?cType=train>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Morocco has made significant progress since the promulgation of its 2007 AML law. Morocco has taken action to address the deficiencies included in its action plan, and legislation adopted in May 2013 fully criminalizes terrorism financing.

Operationally, both the human resource and logistical capacity of the Financial Information Processing Unit (UTRF), Morocco's FIU, have increased. In 2012, the UTRF recruited and trained new officers and launched a new automated system to deal with financial information. UTRF has signed memoranda of understanding facilitating information exchange with regional FIUs.

Moroccan authorities should continue to develop regulatory oversight and investigative expertise that targets Morocco's large money or value transfer service sector, especially money remittance networks. Morocco also should work to address trade-based money laundering.

Mozambique

Mozambique is not a regional financial center. Money laundering is believed to be fairly common and is linked principally to narcotics trafficking and criminal kidnapping networks as well as customs fraud. Most narcotics trafficked through Mozambique are believed to be destined for South African or European markets, although consumption is on the rise in Mozambique. Local organized criminal groups control trafficking operations in the country and

are believed to have links to South Asian nationals and immigrants. Authorities believe the proceeds from these illicit activities have helped finance commercial real estate developments, particularly in the capital. While money laundering in the banking sector is cited as a serious problem, foreign currency exchange houses, cash couriers, and hawaladars play more significant roles in financial crimes and money laundering. For instance, much of the laundering is believed to be happening behind the scenes at foreign currency exchange houses, and the number of exchange houses operating in Mozambique surpasses the number required to satisfy legitimate demand. Black markets for smuggled goods and informal financial services are widespread, dwarfing the formal retail sector in most parts of the country. There are no indications such activity is tied to terrorism financing.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: List approach
Are legal persons covered: ***criminally:*** YES ***civilly:*** NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** NO ***Domestic:*** NO
KYC covered entities: Banks and credit companies; securities companies and exchanges; debt collectors; leasing and rental companies; gaming facilities; capital/asset management concerns; payment and currency exchange operators; insurance brokers; and overseas subsidiaries or branches of Mozambican financial institutions

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available
Number of CTRs received and time frame: Not applicable
STR covered entities: Banks and credit companies; securities companies and exchanges; debt collectors; leasing and rental companies; gaming facilities; capital/asset management concerns; payment and currency exchange operators; insurance brokers; and overseas subsidiaries or branches of Mozambican financial institutions

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO ***Other mechanism:*** NO
With other governments/jurisdictions: YES

Mozambique is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a FATF-style regional body. Its most recent mutual evaluation can be found at: [http://www.esaamlg.org/userfiles/Mozambique_Mutual_Evaluation_Detail_Report\(5\).pdf](http://www.esaamlg.org/userfiles/Mozambique_Mutual_Evaluation_Detail_Report(5).pdf)

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Limited resources and high levels of corruption hamper the Government of Mozambique's ability to fight money laundering and terrorism financing and to implement existing AML controls. Local institutions, including police, customs, and judicial authorities, lack the funding, training, and personnel necessary to investigate money laundering activities and to enforce the law. Money or value transfer services and exchange houses are heavily regulated on paper, but in practice easily avoid reporting, exacerbating the government's lack of capacity.

Despite these impediments, Mozambique has made notable recent progress in strengthening its AML/CFT regime. In 2013, it enacted new legislation that strengthens the AML regime, criminalizes terrorism financing (TF), covers the necessary predicate offenses, and requires the country's reporting entities to determine beneficial ownership. Mozambique also requires the submission of suspicious transaction reports (STRs) related to TF and established a legal framework to freeze terrorist assets. Its financial intelligence unit (FIU) has signed memoranda of understanding with the FIUs of Angola, Brazil, Lesotho, Namibia, and South Africa.

The government took administrative action resulting in fines against prominent businessman Mohamed Bachir Suleman, a U.S.-designated Drug Kingpin.

Going forward, Mozambique should work to amend its AML/CFT legislation to require that terrorist assets be frozen "without delay;" ensure its regulations and anti-terrorism law clarify the apparent discretion of the courts not to freeze the assets of individuals and entities on the UN al-Qaida sanctions list; and establish guidelines for the Bank of Mozambique's AML/CFT supervision of the financial institutions under its purview.

Namibia

Namibia is not a regional financial center, although it has one of the most highly developed financial systems in Africa. Both regional and domestic criminal activities give rise to proceeds that are laundered in Namibia. Falsification or misuse of identity documents, customs violations, trafficking of precious metals and gems, trafficking in illegal drugs, and stolen vehicles, mostly from South Africa, are regional problems that affect the level of money laundering in Namibia. Organized criminal groups involved in smuggling activities generally use Namibia as a transit point, particularly for goods ultimately destined for Angola. Domestically, real estate as well as minerals and gems are suspected of being used as vehicles for money laundering. Namibian authorities believe the proceeds of criminal activities are laundered through Namibian financial institutions, but on a small scale.

The Namibian government has set up Export Processing Zones (EPZ). Companies with EPZ status can set up operations anywhere in Namibia. There are no restrictions on the industrial

sector provided that the exports are destined for markets outside the South Africa Customs Union region, earn foreign exchange, and employ Namibians. EPZ benefits include no corporate tax, no import duties on the importation of capital equipment or raw materials, and no value added tax, sales tax, or stamp or transfer duties on goods and services required for EPZ activities. There is at least one EPZ at the port of Walvis Bay. The Offshore Development Company (ODC) administers the EPZ regime. The ODC develops and leases multi-purpose industrial parks in four locations where companies can establish operations, including as EPZs.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks and microfinance entities; pension funds, asset managers, and trust companies; casinos and gaming institutions; exchange houses, stock brokerages, and cash couriers; dealers in jewels and precious metals; insurance companies; pawn shops and dealers in high-value art and vehicles; realtors and auctioneers, to include livestock and real estate; lawyers, accountants, and notaries

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 375: January - October 2013

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks and microfinance entities; pension funds, asset managers, and trust companies; exchange houses, stock brokerages, and cash couriers; casinos; dealers in jewels and precious metals; insurance companies; pawn shops and dealers in high-value art and vehicles; realtors and auctioneers, to include livestock and real estate; lawyers, accountants, and notaries

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0

Convictions: 0

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO ***Other mechanism:*** YES

With other governments/jurisdictions: YES

Namibia is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.esaamlg.org/userfiles/Namibia_detailed_report.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Namibia has taken steps to implement its AML/CFT National Strategy. The Financial Intelligence Centre, Namibia's financial intelligence unit (FIU), has AML/CFT regulatory responsibilities. It has applied for membership in the Egmont Group of FIUs.

The Prevention and Combating of Terrorist Activities Act of 2012 (Act No. 12 of 2012) became law on December 21, 2012. The Act sets a penalty of life imprisonment for any person who directly or indirectly engages in or commits a terrorist act and up to 30 years in jail and/or up to a N\$10 million (approximately \$1 million) fine for terrorist financing activities. However, Act No. 12 of 2012 contains a broad carve-out from Namibia's definition of terrorist activity. Specifically, the law contains a broad exemption for acts committed during a struggle waged by peoples, in the exercise or furtherance of national liberation, self-determination, and independence against colonialism. This exemption has been controversial and has been found to be out of compliance with international standards. As a result, as of the end of 2013, Namibia was seeking to amend the legislation to rectify that and other deficiencies.

Namibia should continue implementing its legislation and ensure sufficient resources and training are provided to supervisory, analytical, investigative, prosecutorial, and judicial entities. The informal banking and trading sectors need additional focus. The government also should continue efforts to better control its long and porous borders. Namibia should criminalize terrorist financing in line with international standards.

Nauru

Nauru is a small central Pacific island nation with a population of approximately 9,400. A member of the British Commonwealth, Nauru is an independent republic but uses Australian currency. Currently, the only financial institution offering financial services is one wire transfer service based in a hardware store. The economy is entirely cash-based and reliant on formal and informal remittances. Nauru is a low crime jurisdiction. The very narrow economic base, the lack of financial institutions, and very strict land tenure and associated restrictions on foreign investment discourage the introduction of criminal proceeds into the formal Nauru economy.

Nauru has a relatively small offshore company registry with 59 operating corporations. In the past ten years no new trust company licenses have been issued, although 15 unit trusts have been formed under the 11 existing licenses. The offshore companies and trusts represent a concern, although the very low rate of company and trust formation in the sector may indicate the risks are relatively low.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** NO
KYC covered entities: Banks and money remitters; securities and investment businesses; insurance firms; dealers in art and precious metals and stones; trust or company service providers; real estate agents and brokers; casinos and lotteries; legal practitioners and accountants; payroll services using cash; and alternative remittance services

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available
Number of CTRs received and time frame: Not available
STR covered entities: Banks and money remitters; securities and investment businesses; insurance firms; dealers in art and precious metals and stones; trust or company service providers; real estate agents and brokers; casinos and lotteries; legal practitioners and accountants; payroll services using cash; and alternative remittance systems

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO ***Other mechanism:*** NO
With other governments/jurisdictions: NO

Nauru is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation report can be found at:

<http://www.apgml.org/mutual-evaluations/page.aspx?p=b61008e6-465a-48c6-8927-69a6daaa0184>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Nauru's AML/CFT regime is broadly commensurate with the risks and threats facing the country. There is a need for additional controls in the offshore sector. The government should ensure the Nauru Agency Corporation, a state-owned incorporation agent, and Nauru Trustee Corporation, which registers trusts, focus their AML/CFT efforts on providing controls for the offshore sector. Nauru should try to attract a banking institution to ensure a wider range of financial services are available to Nauruans, and that entity should be

subject to AML/CFT controls. The Government of Nauru should supervise alternative remittance providers. AML legislation should be amended to include a greater number of predicate offenses and reduce restrictive conditions in relation to tax matters.

In 2012, the Government of Nauru became a party to the 1988 UN Drug Convention, the UN Convention against Corruption, and the UN Convention against Transnational Organized Crime.

Nepal

Nepal is not a regional financial center. Government corruption, poorly regulated trade, weak financial sector regulation, and a large informal economy make the country vulnerable to money laundering and terrorism financing. Nepal is not a significant producer of narcotic drugs; however, hashish, heroin, and domestically produced cannabis and opium are trafficked to and through Nepal. Relatively porous borders are used to conceal trafficking in drugs and human beings.

The major sources of laundered proceeds are tax evasion, corruption, counterfeit currency, smuggling, and invoice manipulation. While government and banking industry officials report that most remittances flow through formal banking channels, a portion is believed to flow through informal channels. Officials have identified the use of under- and over-invoicing as a major money laundering challenge. Another problem is the illicit flow of bulk counterfeit currency. An open border with India and inadequate security screening make it difficult to detect hard currency flowing in and out of the country.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach
Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: **Foreign:** YES **Domestic:** YES
KYC covered entities: Banks, securities agents, insurance agents, casinos, money remitters and changers, cooperatives, designated government agencies, lawyers and notaries, auditors, trust and company service providers, and precious metals and stone traders

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 1303: January 1 - June 30, 2013

Number of CTRs received and time frame: 3,253,664: January 1 - June 30, 2013

STR covered entities: Banks, securities agents, insurance agents, casinos, money remitters and changers, cooperatives, designated government agencies, lawyers and notaries, real estate brokers, auditors, and precious metals and stone traders

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 24: January - June 2013

Convictions: 10: January - June 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** NO **Other mechanism:** NO

With other governments/jurisdictions: NO

Nepal is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at:

<http://www.apgml.org/members-and-observers/members/member-documents.aspx?m=8fc7f911-3767-4e6d-90b9-719209490358>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Nepal has taken significant steps to bring its legislation into compliance with international standards. However, a lack of resources and capacity and low awareness of processes and reporting requirements hamper efforts to combat money laundering. While the AML law was enacted in 2008, Nepal's financial intelligence unit (FIU) is still putting into place the required regulations and directives. The FIU has increased its capacity, and in 2013, expanded from five investigative sections to 11, including a police unit dedicated to the department. The FIU is pursuing a three-fold approach: increased outreach to the banking community about the regulations; more officials to check records for compliance; and increased legal ramifications if problems are discovered. These factors explain the higher number of prosecutions and convictions in 2013. While the government has made many improvements in a short period of time, there is still a need for training on investigations and case management.

Coordination among key government agencies is weak. The Nepal Police Central Investigation Bureau (CIB) and the Nepal Police Counterterrorism Directorate both have authority to investigate and arrest counterfeit currency operatives, narcotics traffickers, smugglers, and human traffickers, but have done little in the way of pursuing pure financial crimes. The CIB is actively seeking assistance from donors to build its investigative capacity.

Nepal still needs to enact the appropriate implementing regulations to address key AML/CFT deficiencies, including the seizing, freezing or confiscation of terrorist assets in order to comply with UNSCRs 1267 and 1373 and other provisions.

Netherlands

The Netherlands is a major financial center and consequently an attractive venue for laundering funds generated from illicit activities, including activities often related to the sale of cocaine, cannabis, or synthetic and designer drugs, such as ecstasy. Financial fraud, especially tax-

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evasion, is believed to generate a considerable portion of domestic money laundering activity. There are a few indications of syndicate-type structures in organized crime and money laundering, but there is virtually no black market for smuggled goods in the Netherlands. Although there are few controls on national borders within the Schengen Area of the EU, Dutch authorities run special operations in the border areas with Germany and Belgium to keep smuggling to a minimum.

Six islands in the Caribbean fall under the jurisdiction of the Kingdom of the Netherlands. Bonaire, St. Eustatius, and Saba are special municipalities of the Netherlands. Aruba, Curacao, and St. Maarten are countries within the Kingdom of the Netherlands. The Netherlands provides supervision for the courts and for combating crime and drugs trafficking within the Kingdom. As special municipalities, Bonaire, St. Eustatius, and Saba are officially considered “public bodies” under Dutch law.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/i/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: **criminally:** YES **civilly:** NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: **Foreign:** YES **Domestic:** NO

KYC covered entities: Banks, credit institutions, securities and investment institutions, providers of money transaction services, life insurers and insurance brokers, credit card companies, casinos, traders in high value goods, accountants, lawyers and independent legal consultants, business economic consultants, tax consultants, real estate brokers and surveyors, estate agents, civil law notaries, trusts and asset administrative companies, electronic money institutions, and taxation offices

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 23,834 in 2012

Number of CTRs received and time frame: Not available

STR covered entities: Banks, credit institutions, securities and investment institutions, providers of money transaction services, life insurers and insurance brokers, credit card companies, casinos, traders in high value goods, accountants, lawyers and independent legal consultants, business economic consultants, tax consultants, real estate brokers, estate agents, civil law notaries, trusts and asset administrative companies, and taxation offices

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 1,378 in 2011

Convictions: 931 in 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES **Other mechanism:** YES

With other governments/jurisdictions: YES

The Netherlands is a member of the FATF. Its most recent mutual evaluation can be found at:

<http://www.fatf-gafi.org/countries/netherlands/documents/mutualevaluationreportofthenetherlands.html>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of the Netherlands is largely in compliance with international standards and continues to make progress to correct deficiencies.

The Netherlands utilizes an “unusual transaction” reporting system. Designated entities are required to file unusual transaction reports (UTRs) with the financial intelligence unit (FIU) on any transaction that appears unusual (applying a broader standard than “suspicious”) or when there is reason to believe a transaction is connected with money laundering or terrorism financing. The FIU analyzes UTRs and forwards them to law enforcement for criminal investigation. Once the FIU forwards the report, the report is then classified as a STR. There were 209,239 UTRs filed in 2012.

The National Police, which falls under the Ministry of Security and Justice, was reorganized on January 1, 2013, transitioning from 25 separate regional forces and one national bureau into one national organization overseeing 10 regions. The FIU is an independent, autonomous entity under the National Police. It is expected the reorganized National Police will have enhanced flexibility and effectiveness in responding to money laundering cases.

On January 1, 2013, the Netherlands amended the National Money Laundering and Terrorist Financing Act in order to strengthen its reporting regime and enact stronger KYC rules. The amended legislation includes: specific requirements for customer due diligence (CDD) related to legal arrangements; an exchange of information among supervisory authorities; good faith as a condition for protection from criminal liability; a requirement to immediately obtain information in case of reliance on third parties for CDD; and politically exposed person (PEP)-related requirements that include non-Dutch PEPs resident in the Netherlands.

On September 1, 2013, Parliament passed legislation that introduces a new autonomous criminal offense of terrorism financing in the Dutch criminal code.

The Fiscal Information and Investigation Service is establishing an Anti-Money Laundering Center to increase coordination among key law enforcement agencies. The center will combine expertise from government agencies, such as the FIU, the National Police, and the Food Authority; knowledge institutions; private sector partners; and international organizations. The

Ministry of Finance will provide overall policy guidance to the Center. The Center is expected to be fully operational in 2016.

New Zealand

New Zealand is not a major regional or offshore financial center. Money laundering cases are infrequent in New Zealand. Authorities note, however, that it is difficult to estimate the extent of money laundering activities, since every serious crime that generates proceeds could lead to a money laundering offense.

Money laundering generally occurs through the financial system. The purchase of real estate and other high-value assets as well as the use of foreign exchange dealers have become increasingly popular methods of laundering money. Narcotics proceeds, mostly from methamphetamine and cannabis sales, and fraud-associated activity, primarily internet banking fraud, are the primary sources of illicit funds. International organized criminal elements, mostly from Asia, are known to operate in New Zealand, but not to a wide extent. New Zealand is a low threat environment for terrorism finance.

New Zealand has a small number of casinos that operate gaming machines and a variety of table games.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: Combined approach
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, exchange offices, and money service businesses; credit card companies; mortgage lenders; casinos; securities brokers and dealers; safekeeping providers; asset, individual, or collective portfolio managers; and life insurance or other investment related insurance

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 3,244: July 2013 - November 2013

Number of CTRs received and time frame: Not available

STR covered entities: Banks, exchange offices, and money service businesses; credit card companies; mortgage lenders; casinos; securities brokers and dealers; safekeeping providers;

asset, individual, or collective portfolio managers; and life insurance or other investment related insurance

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 14: January 1 - June 30, 2013

Convictions: 7: January 1 - June 30, 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO ***Other mechanism:*** YES

With other governments/jurisdictions: YES

New Zealand is a member of the FATF and the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at:

<http://www.fatf-gafi.org/countries/nr/newzealand/documents/mutualevaluationofnewzealand.html>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of New Zealand is taking measures to comply with international standards and strengthen its ability to detect and deter money laundering and terrorism financing. On June 30, 2013, the first phase of the Anti-Money Laundering/Counter-Terrorist Financing Act of 2009 (the AML/CFT Act) was implemented. The Financial Markets Authority, the Reserve Bank of New Zealand, and the Department of Internal Affairs are responsible for supervising, monitoring and enforcing the AML/CFT Act, with the Ministry of Justice having overall administrative responsibility.

To ensure the effectiveness of the new AML/CFT regime, the New Zealand Financial Intelligence Unit (FIU) has engaged in policy, legal, and operational work in partnership with numerous agencies, both public and private. The FIU reports the AML/CFT Act has accelerated the rate of suspicious transaction reporting compared to previous years.

In preparation for the second phase of implementation, the FIU is working closely with Sector Supervisors within the AML/CFT National Coordination Committee, along with the Customs Service, Ministry of Justice, and other government agencies to advance policy, legal, and operational issues, including strengthening its registration and licensing regime for financial service providers and the insurance sector, and introducing an updated cross-border cash and monetary instrument reporting regime.

New Zealand and the United States do not require a bilateral mutual legal assistance treaty (MLAT) to enter into a mutual assistance relationship. The United States has been designated as a “prescribed foreign country” in New Zealand’s Mutual Assistance in Criminal Matters Act 1992, enabling New Zealand to process requests for assistance from the United States on a reciprocal basis. In practice, New Zealand and U.S. authorities have a good record of cooperation and information sharing in this area. New Zealand regularly cooperates in international money laundering and terrorism financing initiatives and investigations.

Nicaragua

The Republic of Nicaragua is not considered a regional financial center. Nevertheless, the financial system is vulnerable to money laundering as the country continues to be a strategic narcotics transshipment route for South American cocaine and heroin destined for the United States and cash returning to South America. The high level of political corruption is also a significant concern. Money laundering cases are primarily related to proceeds from illegal narcotics, mainly cocaine, but some subject matter experts believe there are indications of money laundering activities related to proceeds from smuggling. It is also suspected that money laundering occurs via traditional mechanisms such as legal businesses. Additionally, some evidence exists of informal “cash and carry” networks for delivering remittances from abroad that may be indicative of money laundering. Although there are no convictions for money laundering in these sectors to date, some local businesses such as hardware stores, hotels, and clubs were seized from people accused of drug trafficking and money laundering. Subject matter experts also believe the black market for smuggled goods in Nicaragua is larger than officially recognized, indicating possible trade-based money laundering. The Central America Four Agreement among El Salvador, Guatemala, Honduras, and Nicaragua allows for the free movement of citizens across respective borders without passing through immigration or customs inspection. Consequently, the agreement represents a vulnerability to each country for the cross-border movement of contraband and proceeds of crime.

Nicaragua, with access to the Atlantic and Pacific Oceans, large inland lakes, porous border crossings, and a sparsely-populated and underdeveloped Atlantic Coastal region, is an ideal haven for transnational organized criminal groups, including human and drug trafficking organizations. Although Nicaragua faces domestic drug trafficking issues, money laundering proceeds are mostly controlled by international organized crime. The most noteworthy money laundering cases prosecuted in Nicaragua are primarily tied to foreign criminal activity.

The National Free Trade Zone Commission, a government agency, regulates free trade zone (FTZ) activities. As of 2013, a total of 215 companies operated in 34 designated FTZs. The Nicaraguan Customs Agency monitors all FTZ imports and exports.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/i/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: **criminally:** YES **civilly:** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: **Foreign:** YES **Domestic:** YES

KYC covered entities: Banks, financial companies, credit institutions, stock exchange, insurance companies, credit and loan cooperatives, brokerage firms, money exchanges and remitters, credit card issuers, casinos, microfinance organizations, and pawn shops

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 153: January 1 - May 15, 2013

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks, financial companies, credit institutions, stock exchange, insurance companies, credit and loan cooperatives, brokerage firms, money exchanges and remitters, credit card issuers, casinos, microfinance organizations, and pawn shops

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 19 in 2013

Convictions: 4 in 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO ***Other mechanism:*** YES

With other governments/jurisdictions: YES

Nicaragua is a member of two FATF-style regional bodies, the Caribbean Financial Action Task Force (CFATF), and the Financial Action Task Force on Money Laundering in South America (GAFISUD), which Nicaragua joined in December 2013. Its most recent mutual evaluation can be found at: https://www.cfatf-gafic.org/index.php?option=com_docman&task=cat_view&gid=337&Itemid=418&lang=en

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Nicaragua made progress in improving its AML/CFT regime. On January 30, 2013, Presidential Decree 07-2013 established the regulations to implement the Financial Intelligence Unit (FIU) Law (Law 793 - approved June 2012). Subsequently, the Superintendence of Banks and other Financial Institutions enacted a regulation requiring covered institutions to register with the FIU and to designate an administrator for their money laundering prevention program. The February 6, 2013 Presidential Decree 09-2013 creates an interagency commission to develop additional legal instruments to prevent and counteract terrorism.

On June 5, 2013, the Government of Nicaragua published Presidential Decree 21-2013, which establishes the ability to freeze terrorist assets without delay. All obligated entities are able to immediately and preventively freeze assets or funds and report it to the FIU within 24 hours. The FIU reports the preventive freeze of assets and/or funds to the Prosecutor's Office, who then requests resolution from the judiciary. The terms for all actions, including the judicial resolution, cannot exceed 72 hours.

In 2013, The National Microfinance Commission (CONAMI) enacted new regulations on the prevention of money laundering. The Commission trained 18 microfinance institutions on AML/CFT prevention, stressing that each institution develop and implement an AML/CFT

prevention manual and code of conduct. One new CONAMI regulation establishes minimum requirements on the measures microfinance institutions should implement or improve to prevent and mitigate the risk of being used, wittingly or unwittingly, for money laundering activities. A second regulation obliges microfinance institutions to have an internal control system in order to minimize risks and ensure compliance with all applicable regulations and laws. The CONAMI and the FIU have enhanced supervisory and monitoring authorities to detect unusual and suspicious transactions.

The Judicial Studies Institute of the Supreme Court of Justice and the FIU carried out 15 national seminars on the AML/CFT legal framework for 420 workers in the criminal justice system.

Previous AML/CFT laws remain in force, including Law 735, which among other things, addresses the prevention, investigation and prosecution of organized crime and the administration of seized, forfeited and abandoned assets; however, its enforcement is insufficient without the political will to create a unit to administer seized and abandoned assets.

The new statutes enacted to criminalize money laundering and terrorist financing will continue to face challenges. Nicaragua should improve efforts to combat corruption and enhance judicial independence.

Niger

Niger is one of the poorest and least developed countries in the world. Niger is not a regional financial center, and its banking sector is rudimentary. It is a member of the Central Bank of West African States (BCEAO), and so shares its central bank and currency, the CFA Franc, with other countries in the region. With porous borders and a large, under-governed territory, Niger provides an ideal transit point for various criminal organizations and terrorist groups. High transaction costs deter businesses from placing large amounts of cash in the banking system. Most economic activity takes place in the informal, cash-based financial sector; and informal remitters and other money and value transfer services are widespread.

Money laundering and financial crimes are commonplace in Niger. Illegal proceeds derive from rampant trafficking of drugs, small arms, people, and everyday commodities across the Algerian and Mauritanian borders in the sparsely-populated north of the country. Since 2008, kidnappings for ransom have been used as a fundraising method for terrorist groups. More recent factors affecting security are the return to Niger of pro-Qaddafi mercenaries; the takeover of western neighbor Mali by al-Qaida and affiliates and the subsequent French-led international military intervention; and the growth of Boko Haram, a terrorist group based just over the border in southern neighbor Nigeria.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN

THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: *criminally:* YES *civilly:* YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* YES
KYC covered entities: Public Treasury and State Savings Deposit institutions; BCEAO; banks, microfinance institutions, and money exchanges; insurance companies and brokers; securities exchanges or brokers; post office; mutual funds and fixed capital investment companies; lawyers, asset or fund custodians, and management and intermediation firms; business brokers for financial entities, auditors, and real estate agents; sellers of valuable items such as fine arts or precious stones; fund carriers; casinos; travel agencies; and non-governmental organizations (NGOs)

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 11 in 2013

Number of CTRs received and time frame: Not applicable

STR covered entities: Public Treasury and State Savings Deposit institutions; BCEAO; banks, microfinance institutions, and money exchanges; insurance companies and brokers; securities exchanges or brokers; post office; mutual funds and fixed capital investment companies; lawyers, asset or fund custodians, and management and intermediation firms; business brokers for financial entities, auditors, and real estate agents; sellers of valuable items such as fine arts or precious stones; fund carriers; casinos; travel agencies; and NGOs

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 2 in 2013

Convictions: 0 in 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* NO *Other mechanism:* NO

With other governments/jurisdictions: YES

Niger is a member of the Inter Governmental Action Group against Money Laundering in West Africa (GIABA), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.giaba.org/reports/mutual-evaluation/Niger.html>.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Despite its severe lack of resources, Niger has made notable efforts to rectify the identified deficiencies in its AML/CFT regime and increase its capacity to implement that regime.

On June 14, 2013, Niger's president issued a Decree (No. 2013-200/PRN/MF) approving the country's national AML/CFT strategy, which will provide direction to all of Niger's AML/CFT

initiatives and serve as a useful reference for its development partners. On September 6, 2013, the Nigerien Council of Ministers adopted a draft bill to establish a specialized judicial unit for matters involving economic and financial crimes. Moreover, 120 staff members of Niger's financial intelligence unit, the National Center for the Treatment of Financial Information (CENTIF), along with magistrates, defense and security forces, and designated non-financial businesses and professions participated in capacity-building programs over the course of the year. Between the fall of 2012 and the fall of 2013, CENTIF referred seven STRs to the State Prosecutor. CENTIF also launched a website in 2013. In addition, Nigerien authorities cooperate with law enforcement efforts, mutual legal assistance, and asset sharing groups within the region.

Nigeria

Nigeria remains a major drug transshipment point and a significant center for criminal financial activity. Individuals, such as internet fraudsters and corrupt officials and businessmen, as well as criminal and terrorist organizations take advantage of the country's location, porous borders, weak laws, corruption, inadequate enforcement, and poor socioeconomic conditions to launder the proceeds of crime. The proceeds of illicit drugs in Nigeria derive largely from foreign criminal activity rather than domestic activities. Drug traffickers reportedly use Nigerian financial institutions to conduct currency transactions involving U.S. dollars derived from illicit drugs.

Proceeds from drug trafficking; illegal oil bunkering; bribery and embezzlement; contraband smuggling; theft, including bank robberies; and financial crimes, such as bank fraud, real estate fraud, and identity theft, constitute major sources of illicit proceeds in Nigeria. Advance fee fraud, also known as "419 fraud" in reference to the fraud section in Nigeria's criminal code, remains a lucrative financial crime that generates hundreds of millions of illicit dollars annually.

Money laundering in Nigeria takes many forms, including: investment in real estate; wire transfers to offshore banks; political party and campaign financing; deposits into foreign bank accounts; abuse of professional services, such as lawyers, accountants, and investment advisers; reselling imported goods, such as luxury or used cars, textiles, and consumer electronics purchased with illicit funds; and bulk cash smuggling. Cybercrime in Nigeria is becoming more sophisticated. Nigerian cybercriminals have not traditionally employed sophisticated hacking/exploit techniques to conduct their crimes, rather, they have relied on social engineering. Recently, however, there has been an increase in the use of sophisticated techniques, such as e-mail hacking/intrusions. There also have been a number of recent cases in which subjects located in Nigeria have owned and operated botnets through which they have conducted distributed denial of service attacks. Nigerian criminal enterprises are often adept at evading detection and subverting international and domestic law enforcement efforts.

In October 2013, the FATF removed Nigeria from its list of countries subject to monitoring because of strategic AML/CFT deficiencies. The FATF noted Nigeria's significant progress in addressing deficiencies in its AML/CFT regime and meeting the commitments in its action plan.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here:

<http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach
Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES
KYC covered entities: Banks, investment and securities broker/dealers, and discount houses; insurance institutions; debt factorization and conversion firms, money exchanges, and finance companies; money brokerage firms whose principal business includes factoring, project financing, equipment leasing, debt administration, fund management, private ledger service, investment management, local purchase order financing, export finance, project and financial consultancy, or pension funds management; dealers in jewelry, cars, and luxury goods; chartered accountants, audit firms, and tax consultants; clearing and settlement companies and legal practitioners; hotels, casinos, and supermarkets

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 1,770: January 1 – September 30, 2013
Number of CTRs received and time frame: 6,051,290: January 1 – September 30, 2013
STR covered entities: Banks, investment and securities broker/dealers, and discount houses; insurance institutions; debt factorization and conversion firms, money exchanges, and finance companies; money brokerage firms whose principal business includes factoring, project financing, equipment leasing, debt administration, fund management, private ledger service, investment management, local purchase order financing, export finance, project and financial consultancy, or pension funds management; dealers in jewelry, cars, and luxury goods; chartered accountants, audit firms, and tax consultants; clearing and settlement companies and legal practitioners; hotels, casinos, and supermarkets

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 17: October 1, 2012 – September 30, 2013
Convictions: 13: October 1, 2012 – September 30, 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES ***Other mechanism:*** YES
With other governments/jurisdictions: YES

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Nigeria is a member of the Inter Governmental Action Group against Money Laundering in West Africa (GIABA), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.giaba.org/reports/mutual-evaluation/Nigeria.html>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In 2013, Nigerian authorities continued to work to address strategic deficiencies in the country's AML/CFT regime. Notably, the Government of Nigeria enacted the Money Laundering (Prohibition) (Amendment) Act 2012 and the Terrorism (Prevention) (Amendment) Act 2013, which, respectively, criminalize fraud as a predicate offense to money laundering and criminalize the financing of terrorism in line with international standards. Nigeria likewise instituted a framework for freezing without delay the assets of UN-designated terrorists and for domestically designating non-UN-listed terrorists. Also in 2013, the Nigerian Financial Intelligence Agency Autonomy Bill, which would make the Nigerian Financial Intelligence Unit (NFIU) a stand-alone agency, as opposed to a subsection of the Economic and Financial Crimes Commission, (EFCC), passed its second reading before the Nigerian Senate.

Nigerian financial institutions appear generally conscientious in submitting currency transaction reports (CTRs) to the relevant authorities. However, the sheer volume of those reports combined with the fact that many, if not most, are likely to be legitimate transactions, given the cash-based nature of the Nigerian economy, make it particularly difficult for the government to detect suspicious activity.

Pervasive corruption, a lack of investigative capacity, and interagency dysfunction have hindered or blocked numerous prosecutions and investigations related to money laundering. Nigeria should ensure the EFCC and the NFIU are able to perform their functions without undue influence and free from political pressure; and, in accordance with international standards, should support the operational autonomy of its FIU. The government also should ensure the confidentiality of information the FIU collects or acquires. Additionally, Nigeria should strengthen its supervision of designated non-financial businesses and professions, work to thwart corruption at all levels of government, and make every effort to ensure the agencies that pursue money laundering-related cases, including the EFCC, Nigerian Drug Law Enforcement Agency, Independent Corrupt Practices and Other Related Offenses Commission, Nigerian Agency for the Prevention of Trafficking in Persons, Special Control Unit against Money Laundering, Nigerian Customs Service, and National Police Force, have the resources, support, and capacity to function as investigators or investigative partners in such cases.

More generally, Nigeria should work to ensure law enforcement agencies cooperate effectively when investigating suspected money laundering. The ongoing inability and/or unwillingness of Nigeria's law enforcement agencies to share information or conduct joint investigations significantly hinders the government's efforts to combat money laundering. This issue is especially important with regard to CFT. The State Security Service (SSS) is the primary investigating agency for terrorism cases, but some agencies have asserted it does not have the capacity to investigate terrorism financing or money laundering and that it does not share case information with other agencies that conduct financial investigations. There remain general

questions as to the role of the SSS versus that of the EFFC in the investigation of terrorism financing.

Nigeria should adopt safe harbor provisions to protect STR reporting entities and their employees. It also should consider developing a cadre of specially trained judges with dedicated portfolios in order to process financial crimes cases as quickly and effectively as possible. The National Assembly also should adopt a non-conviction-based asset forfeiture bill.

Niue

Niue is not a regional financial center and has no free trade zones. Niue is a self-governing democracy, operating in free association with New Zealand. Niue has a very limited financial sector. There is one commercial bank, one development bank, and two money remitters. The Government of Niue relies heavily on New Zealand to assist with external and economic affairs. The country has experienced a significant decline in population, largely from the emigration of its population to New Zealand.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks; safe deposit box providers, trust and company service providers, and individual funds trustees; insurers and insurance intermediaries; securities dealers, futures brokers, money exchangers, and remitters; issuers, sellers, or redeemers of traveler's checks, money orders, or similar instruments; payroll and payroll funds delivery businesses; dealers in precious metals and stones; real estate agents; casinos and gaming houses (including internet gaming); lawyers, notaries, and accountants engaged in real estate, client financial management, and the creation, operation, and management of companies

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 7 in 2013

Number of CTRs received and time frame: 529: December 2011 - April, 2012

STR covered entities: Banks; safe deposit box providers, trust and company service providers, and individual funds trustees; insurers and insurance intermediaries; securities dealers, futures brokers, money exchangers, and remitters; issuers, sellers, or redeemers of

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traveler's checks, money orders, or similar instruments; payroll and payroll funds delivery businesses; dealers in precious metals and stones; real estate agents; casinos and gaming houses (including internet gaming); lawyers, notaries, and accountants engaged in real estate, client financial management, and the creation, operation, and management of companies

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0

Convictions: 0

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO **Other mechanism:** NO

With other governments/jurisdictions: YES

Niue is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at:

<http://apgml.org/members-and-observers/members/member-documents.aspx?m=302adaac-c0fb-4988-ad66-7051e124bedc>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In recent years Niue has tightened its legislation and formed a financial intelligence unit (FIU) to comply with international standards against money laundering and terrorist financing. The Niue Bank Amendment Act 2013, passed by the Niue Assembly in February 2013, aligns New Zealand and Niue AML/CFT processes so that there are not two separate and distinct compliance regimes. The countries' approach will be complementary. In 2013, Niue agreed to abide by New Zealand's introduction of tighter AML/CFT legislation.

There have never been any cases investigated for money laundering or terrorism financing in Niue, and there are no known instances of suspected terrorist activity or criminal activity that have generated large amounts of money.

In 2006, the Government of Niue closed down the International Business Companies (IBCs) Register. A small number of IBCs re-registered under the Niue Companies Act; four remain active. There is no express provision against shell banks, and companies do not have to identify the ultimate beneficiaries of shares.

The Niue FIU exchanges financial intelligence related to money laundering and financing of terrorism with the New Zealand FIU. The Niue Crown Law office reports it has received a number of cash transaction reports.

Niue is not a member of the United Nations. It generally complies with international AML/CFT standards, and AML/CFT legislation includes the 2004 United Nations Sanctions Regulations (Terrorism Suppression and Afghanistan Measures). Two bills are currently being debated by the Niue Assembly which would help form the basis for Niue to be in a position to ratify conventions on money laundering and financing of terrorism. The Mutual Assistance in Criminal Matters (Amendment) Bill and the Terrorism Suppression and Transnational Crime

(Amendment) Bill form part of a suite of legislation amending the AML/CFT legislative framework that is expected to pass by 2015.

As part of the AML/CFT regime relating to tax matters, Niue passed the Income Tax (Niue-New Zealand Tax Information Exchange Agreement (TIEA)) Regulations 2013 in March 2013. The TIEA with New Zealand came into effect on January 1, 2014. Niue is currently in negotiations with a number of countries to finalize TIEAs.

The Government of Niue should become a party to the United Nations Convention against Corruption.

Norway

Although it is a high income country, Norway is not considered a regional financial center. Norway's significance in terms of money laundering is low. There are illicit proceeds related to narcotics sales and production, prostitution, robberies, smuggling, and white collar crimes like embezzlement, tax evasion, and fraud. Criminal proceeds laundered in the jurisdiction derive primarily from domestic criminal activity, often by foreign criminal gangs or guest workers who in turn remit the proceeds home.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, the central bank, finance companies, e-money institutions, pension funds, postal operators, auditors, asset managers, securities dealers, credit agents, money exchangers, insurance companies, accountants, lawyers, notaries, auction houses, realtors, money transporters, clearing houses, and dealers in autos and high-value goods

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 4,272 in 2013

Number of CTRs received and time frame: 882 in 2012

STR covered entities: Banks, the central bank, finance companies, e-money institutions, pension funds, postal operators, auditors, asset managers, securities dealers, credit agents,

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money exchangers, insurance companies, accountants, lawyers, notaries, auction houses, realtors, money transporters, clearing houses, and dealers in autos and high-value goods

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO **Other mechanism:** YES

With other governments/jurisdictions: YES

Norway is a member of the FATF. Its most recent mutual evaluation can be found at:

<http://www.fatf-gafi.org/countries/n-r/norway/documents/mutualevaluationofnorway.html>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Norwegian financial intelligence unit (FIU) is located within the National Authority for Investigation and Prosecution of Economic and Environmental Crime. The FIU voices concern over the low number and poor quality of reports from certain entities covered by the reporting obligation. The total number of submitted suspicious transaction reports (STRs) has declined over the last few years. The reduction can partly be explained by improved customer screening and changes in the reporting regimes of major reporting institutions, but given the overall transaction volume, the FIU suspects considerable underreporting. The implementation of the EU Payment Services Directive has resulted in a larger number of smaller agents being licensed to provide money transfer services, and these may be lacking in knowledge or experience about when and how to report. The FIU is attempting to improve the quality of STR reporting by providing specific guidance and follow up to covered entities. The FIU also started a project to educate police districts on how to use financial intelligence. Although aggregate data is not available, the number of money laundering prosecutions and convictions is believed to be low given the size of the Norwegian economy.

In addition to Norway's large currency transaction reporting requirement, a purpose declaration is required for currency transactions over NOK 100,000 (approximately \$16,230).

Norwegian police agencies share responsibility for identifying, tracing, freezing, seizing, and forfeiting narcotics and terrorist financing-related assets. As a general rule, the police may seize direct proceeds from criminal acts. Norwegian law also allows for seizing instruments of crime, but a relationship to the crime must be proven. The law allows both criminal and civil forfeiture.

Oman

Oman is not a regional or offshore financial center and does not have significant money laundering or terrorism financing concerns. Due to its location on the tip of the Strait of Hormuz, Oman is home to a small number of smugglers operating between Musandam, the northern-most exclave of Oman, and Iran. Omani authorities are aware that growing Iranian overtures toward Oman for increased trade and engagement may create conditions for money

laundering/terrorism financing concerns. Trade is generally financed in small amounts of cash and mostly comprises consumer goods. Oman is a regional transit point for narcotics from Afghanistan, Pakistan, Iran, and Tanzania, although the government is proactive in tracking and prosecuting drug traffickers. Sources of illegal proceeds are generally small and derived from smuggling or drug trafficking activities. Smugglers and drug traffickers are generally expatriates. Corruption, primarily in the form of cronyism or insider operations, remains a concern. In 2013, the government took legal action against senior officials in the housing sector and senior executives of partially state-owned enterprises accused of corrupt practices in the oil and gas sector. Money laundering is generally centered in the formal financial system, rather than in the port free zones or informal sector. In 2011, the Central Bank of Oman licensed Islamic banking. Oman's Islamic banking sector is growing, with a number of Islamic banks opening and traditional financial institutions offering Islamic banking products.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: NO Domestic: NO
KYC covered entities: Banks; foreign exchange companies; investment and credit companies; insurance companies; companies and individuals providing financial services; stock and securities brokers; real estate brokers; dealers in precious metals and stones; notary publics; lawyers; and accountants

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available
Number of CTRs received and time frame: Not available
STR covered entities: Banks; foreign exchange companies; investment and credit companies; insurance companies; companies and individuals providing financial services; stock and securities brokers; real estate brokers; dealers in precious metals and stones; notary publics; lawyers; and accountants

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO Other mechanism: NO
With other governments/jurisdictions: YES

Oman is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.menafatf.org/TopicList.asp?cType=train>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Oman's implementation of its AML/CFT regime progressed slightly after the government retooled its legal, regulatory, and enforcement mechanisms. In response to corruption issues, the government empowered the State Financial and Administrative Audit Institution (SFAAI) with greater investigatory power. In March 2013, SFAAI began implementation of Article 1 of the Public Fund Protection Law and the Avoiding Conflicts of Interest Law, Royal Decree 112/2011, by requesting government officials submit annual financial disclosures pursuant to the Public Fund Protection Law. The law stipulates that government officials subject to the law include members of the Council of Oman, the country's legislative body, as well as representatives of state-owned enterprises or companies in which the government owns more than 40 percent of the capital. In November 2013, Sultan Qaboos issued Royal Decree 64/2013 announcing the Sultanate's intention to ratify the UN Convention against Corruption. It is expected the Government of Oman will become a party to the UN Convention in early 2014.

Oman's financial intelligence unit (FIU), located within the Royal Oman Police, noted an increase in suspicious transaction reports (STRs) on cash transactions with non-bank entities during 2012-2013. In practice, about 95 percent of STRs are submitted by banks, mostly foreign. The FIU does not have access to daily transaction flows via the Central Bank database and lacks sufficient cooperation mechanisms with other government financial or law enforcement entities involved in AML activities. The National Committee on Anti-Money Laundering is examining opportunities to increase information sharing and coordination among government agencies, including the FIU, the Central Bank of Oman, and the Royal Oman Police Customs Directorate. The FIU recognizes its lack of capacity in forensic analysis, compromising its ability to analyze financial data and seriously pursue AML cases. The Omani government openly discusses its AML/CFT enforcement efforts, and is exploring additional legislation to strengthen KYC regulations. The Financial Investigations Unit in the Royal Oman Police is the entity responsible for enforcing AML/CFT laws and regulations, and law enforcement authorities generally respond to requests for assistance from foreign counterparts.

Oman has a declaration system for bulk cash, bearer negotiable financial instruments, and precious metals and stones; however, Omani authorities, from the FIU to law enforcement, have no central database. There are more than 70 databases and there is no capacity to share or transfer information. To enhance their operational capabilities, the Omani authorities should hasten efforts to finalize steps aimed at empowering the FIU and law enforcement authorities. Oman should take action to improve analytical and investigatory capacity, with an emphasis on cross-border financial transactions. The FIU, in partnership with the Central Bank of Oman, should continue to conduct outreach to non-bank financial institutions to improve reporting from

the non-bank sectors. It is critical the government enhance and integrate its databases to ensure access by the Omani interagency authorities to relevant information. The Government of Oman should require enhanced due diligence procedures for politically exposed persons, and strengthen cooperation and capacity between the FIU and the Royal Oman Police Customs Directorate to interdict illicit cross-border financial transactions and identify trade-based value transfer schemes.

Pakistan

Pakistan is strategically located at the nexus of south, central, and western Asia, with a coastline along the Arabian Sea. Its porous borders with Afghanistan, Iran, and China facilitate the smuggling of narcotics and contraband between Afghanistan and overseas markets. The country suffers from financial crimes associated with tax evasion, fraud, corruption, trade in counterfeit goods, contraband smuggling, narcotics trafficking, human smuggling/trafficking, and terrorism. The black market economy generates substantial demand for money laundering and illicit financing.

Common methods for transferring illicit funds include fraudulent trade invoicing, money service providers, hawaladars, and bulk cash smuggling. Criminals utilize import/export firms, front businesses, and the charitable sector to carry out such activities. Pakistan's real estate sector is another common money laundering destination, since real estate transactions tend to be poorly documented.

Money laundering in Pakistan affects both the formal and informal financial systems. From July 2012 through June 2013, the Pakistani diaspora legitimately remitted \$13.2 billion back to Pakistan via the formal banking sector. Though it is illegal to change foreign currency without a license, unlicensed hawala/hundi operators are prevalent throughout Pakistan. These entities also are commonly used to transfer and launder illicit money both domestically and internationally.

On February 16, 2012, the FATF added Pakistan to its Public Statement, reflecting Pakistan's lack of progress in implementing its terrorist financing law. Pakistan will remain on FATF's Public Statement until it enacts legislation to address deficiencies in its criminalization of terrorist financing and its procedures for freezing terrorist assets in accordance with UNSCRs 1267 and 1373.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

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“All serious crimes” approach or “list” approach to predicate crimes: List approach
Are legal persons covered: **criminally:** YES **civilly:** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES

KYC covered entities: Banks, developmental financial institutions (DFIs), and exchange companies; mutual funds, asset management companies, investment banks, and leasing companies; modarabas—a kind of partnership, wherein one party provides finance to another party for the purpose of carrying on a business; pension funds, stock exchanges and brokers; insurance and reinsurance companies, insurance brokers, and insurance surveyors

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 560 in 2011

Number of CTRs received and time frame: 204,417 in 2011

STR covered entities: Banks, DFIs, exchange companies, mutual funds, asset management companies, investment banks, leasing companies, modarabas, pension funds, stock exchanges and brokers, insurance and reinsurance companies, insurance brokers, and insurance surveyors

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES Other mechanism: NO

With other governments/jurisdictions: YES

Pakistan is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at:

<http://www.apgml.org/members-and-observers/members/member-documents.aspx?m=8fc0275d-5715-4c56-b06a-db4af266c11a>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Over the past year, the Pakistani government has worked to improve the framework for its AML/CFT laws. In March 2013, Parliament adopted amendments to the 1997 Anti-Terrorism Act that strengthen the legal CFT framework by criminalizing terrorism financing within international standards. Pakistan still falls short of the international standards regarding the identification and freezing of terrorist assets under UNSCR 1373. Pakistan issued an Anti-Terrorism Amendment Ordinance, which came into force on October 12, 2013, and allows Pakistan to begin implementing its UNSCR 1373 obligations immediately. The Ordinance, which must be converted into permanent legislation, went to the Parliament on November 7, where it is under deliberation. The authorities should pass this legislation as soon as possible.

Pakistani authorities also need to investigate and prosecute money laundering and terrorism financing, and not focus only on the predicate offense creating the proceeds of crime. Raising awareness of AML/CFT issues in the judicial sector is critical.

Weak legislation and lack of implementation also have stymied Pakistan's AML regime. Enforcement deficiencies, particularly regarding the movement of cash, leave Pakistan's informal financial sector vulnerable to illicit exploitation. For example, the State Bank of Pakistan requires all money exchange companies to obtain licenses and meet minimum capital requirements. As a result, it is illegal for money exchange companies or hawaladars to operate without a license. Few hawaladars have been registered by the authorities, however; and unlicensed hawaladars continue to operate illegally throughout Pakistan, particularly in Peshawar and Karachi.

To address noted deficiencies, Pakistan should resolve remaining legal inadequacies related to the criminalization of money laundering; demonstrate effective regulation over exchange companies, specifically, by creating an appropriate sanctions regime and increasing the range of preventive measures applicable to such services; implement effective controls for cross-border cash transactions; and develop an effective asset forfeiture regime.

Palau

Palau is not a regional or offshore financial center. The primary sources of illegal proceeds are illegal drugs and prostitution. Corruption in the governmental sector includes the misuse of government funds and cronyism, in part due to Palau's small size and extensive family networks. Palau is a low-risk jurisdiction for organized crime and terrorism financing.

Palau has one free trade zone, the Ngardmau Free Trade Zone (NFTZ). A public corporation, Ngardmau Free Trade Zone Authority, oversees the development of the NFTZ and issues licenses for businesses to operate there. NFTZ licensing exempts businesses from Foreign Investment Act requirements and certain import and export taxes. To date, no development has taken place within the designated free trade zone area, and the NFTZ directors continue to search for developers and investors.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: NO Domestic: NO
KYC covered entities: Banks, credit unions, and money remitters

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 89 in 2013
Number of CTRs received and time frame: Not available
STR covered entities: Banks, credit unions, money remitters, and nongovernmental organizations

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2013
Convictions: 0 in 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO *Other mechanism:* YES
With other governments/jurisdictions: YES

Palau is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at:

<http://www.apgml.org/documents/search-results.aspx?keywords=Palau>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Money Laundering Prevention and Control Act does not include all predicate crimes prescribed in the international standards and currently lacks implementing regulations. Nor does it cover the designated non-financial businesses and professions operating in Palau. Significant deficiencies remain in the areas of customer due diligence, record-keeping, monitoring of transactions, and supervision. The Financial Institutions Commission is the AML/CFT supervisor, however, it does not have the resources to issue any regulations nor to ensure compliance. These shortfalls should be remedied by the Government of Palau.

The Palau financial intelligence unit (FIU) lacks a dedicated budget and staff. The government, with donor assistance, organized a multi-agency suspicious transaction report (STR) review team to analyze the reports to help identify and initiate investigations. The multi-agency approach has enabled the FIU to function, given its limitations of manpower and funding, and has fostered information sharing and joint investigations among the relevant law enforcement agencies. It is not, however, a long-term solution, and Palau should dedicate funds and permanent staff to the FIU. The FIU received approximately 2,700 currency transaction reports (CTRs) in 2013.

The Cash Courier Disclosure Act has been used successfully by Palau Customs and Security to make bulk cash currency seizures at the airport. The government should extend its effective monitoring of the airport to all its border points of entry and exit to protect against the smuggling of bulk cash, narcotics, and other contraband.

Palau's Counter-Terrorism Act specifically addresses its obligations under UNSCR 1373. However, it does not adequately address provisional measures for seizing of evidence and property, and the freezing of capital and financial transactions related to the financing of terrorism. Palau should strengthen its ability to freeze and confiscate assets related to terrorism financing. The government should circulate the UNSCR 1267 Sanctions Committee's consolidated list of terrorist entities. Palau also should become a party to the 1988 UN Drug Convention and the UN Convention against Transnational Organized Crime.

Panama

Panama's strategic geographic location; dollarized economy; status as a regional financial, trade, and logistics center; and lax regulatory system make it an attractive target for money launderers. Money laundered in Panama is believed to come in large part from the proceeds of drug trafficking due to the country's location along major drug trafficking routes. Tax evasion and corruption also are believed to be major sources of illicit funds. Numerous factors hinder the fight against money laundering, including the existence of bearer share corporations, a lack of collaboration among government agencies, inconsistent enforcement of laws and regulations, and a weak judicial system susceptible to corruption and favoritism. Money is laundered via bulk cash and trade by exploiting vulnerabilities at the airport, free trade zones (FTZs), and the lack of regulatory monitoring in virtually all sectors of the economy. The protection of client secrecy is often stronger than authorities' ability to pierce the corporate veil to pursue an investigation.

Panama has 17 FTZs, including the Colon Free Zone (CFZ), the second-largest FTZ in the world.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach
Are legal persons covered: ***criminally:*** YES ***civilly:*** NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** NO ***Domestic:*** NO
KYC covered entities: Banks, savings cooperatives, savings and mortgage banks, and money exchanges; investment houses and brokerage firms; insurance and reinsurance companies; fiduciaries; casinos; FTZ companies; finance companies; real estate brokers; and lawyers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 802 in 2012

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Number of CTRs received and time frame: 729,848 in 2012

STR covered entities: Banks, cooperatives, money exchanges, money transfer companies, casinos, betting and gaming companies, fiduciaries, insurance and insurance brokerage companies, the national lottery, investment and brokerage houses, real estate brokers, pawnshops, and FTZs

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT*: YES **Other mechanism:** YES

With other governments/jurisdictions: YES

Panama is a member of the Financial Action Task Force on Money Laundering in South America (GAFISUD), a FATF-style regional body. Its most recent evaluation can be found at: <http://www.imf.org/external/pubs/ft/scr/2007/cr0766.pdf>.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

On October 22, 2013, the Government of Panama signed a case-sharing agreement with the United States, creating a bilateral committee to manage \$36 million of forfeited assets to be used by the government to strengthen AML practices. However, there is limited cooperation and communication among the various government agencies. Agencies are under-resourced, often lacking the personnel and training to investigate and prosecute complex money laundering schemes. The shared funds, which will be jointly administered by the U.S. and Panamanian governments, are intended to address these issues.

Panama's financial intelligence unit, the UAF, reports directly to the Ministry of the Presidency. The UAF is considered to be ineffective due to a lack of resources and political independence. According to a broad range of sources, the UAF's requests to other governments for information often concern opposition political figures. The UAF lacks the capability to receive STRs in an electronic format, hindering analysis and timely investigations.

The judicial branch's capacity to successfully prosecute and convict money launderers remains weak, and judges remain susceptible to corruption. The transition to a U.S.-style accusatory judicial system, which began in September 2010, is expected to be implemented in all the provinces by 2016, but has not yet had a noticeable effect on money laundering prosecutions. All known money laundering convictions are tied to bulk cash cases with an obvious connection to a predicate crime.

The Panama Customs Authority's collaboration with U.S. agencies increased passenger scrutiny and notable seizures of undeclared cash at Tocumen International Airport. However, regional airports are undergoing renovation and gaining prominence, and could be new channels of access for money launderers. On August 7, 2013, *Panama America* reported that between December 2009 and May 2013, \$747.3 million of cash was declared and \$10 million was seized at the

airport. Although Panamanian Customs can identify potential trade-based money laundering with information from the Trade Transparency Unit, a regional trade data-sharing entity, it can only levy fees for customs tax evasion.

The CFZ continues to be vulnerable to illicit financial activities and abuse by criminal groups, due primarily to weak customs enforcement and limited trade and financial transactions oversight. Bulk cash is easily introduced into the country by declaring it is for use in the CFZ, but there is no official follow-through to verify its ultimate use for lawful business in the free zone. The lack of integration of the CFZ's electronic cargo tracking system with Panamanian Customs hinders timely analysis. In May 2013, the CFZ Administration terminated all employees in the Office of Money Laundering Prevention and Intellectual Property Rights, claiming inappropriate behavior by the employees. The office has not returned to normal operations.

As of November 2013, Panama has 15 Double Taxation Conventions, of which eight were reviewed and meet OECD peer standards. Panama also has nine Tax Information Exchange Agreements; four of these agreements meet peer standards.

While Panama recently passed legislation to immobilize bearer shares, this law goes into full effect only in 2018. Additionally, only banks have enhanced due diligence procedures for foreign and domestic politically exposed persons (PEPs).

Panama should improve its AML legal and regulatory frameworks, strengthen the prosecutor's office and the judicial system, and create a more transparent financial and trade network so that money laundering will become more difficult within Panama's borders.

Papua New Guinea

Papua New Guinea (PNG) is not considered a major financial center. It has a relatively stable banking system closely integrated with the financial systems of Australia and New Zealand. Smuggling and public corruption are problems in PNG.

Corruption is one of the main sources of illegal proceeds, especially related to misappropriation of public funds linked to the extraction industries, related licensing procedures, and through fraudulent compensation claims. The risk of domestic corruption is likely to be enhanced as PNG's rapid economic growth continues, fueled by large scale foreign investment in the mining and petroleum sectors. Corruption is also a serious issue in party politics. Misappropriation of government funds occurs via government payments which, according to the authorities, are generally placed through the banking sector and used to purchase real estate or high-value vehicles, distributed in cash, or moved offshore.

The techniques to launder proceeds from other large-scale crimes in PNG, such as illegal logging, arms trafficking, and fraud are less clear. Transshipment of drugs and other illegal goods en route to Australia is an emerging risk. The financial intelligence unit (FIU) reports that criminals are increasingly using corporate entities to hide funds and move them offshore. Limited PNG capacity in border control and the presence of organized criminal groups pose

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significant risks for money laundering. PNG relies on assistance from Australia to deter illegal cross-border activities, primarily from Indonesia, including illegal narcotics trafficking.

In PNG, the financial sector is small and provides little reach to the very large informal, rural, and self-employed segments of the population. Approximately 85 percent of the adult population lacks access to the formal sector. The financial sector is in development and trying to increase its outreach to rural areas.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, finance companies, savings and loans, and microfinance entities; superannuation funds; insurance and securities companies; gambling houses, casinos, and lotteries; lawyers and accountants; dealers of precious metals and stones; real estate agents; and money changers and remitters

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not available

STR covered entities: Banks, finance companies, savings and loans, and microfinance entities; superannuation funds; gambling houses, casinos, and lotteries; investment managers and insurance companies; real estate agents; dealers in precious metals and stones; money exchanges and remitters; lawyers; and accountants

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2012

Convictions: 0 in 2012

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO ***Other mechanism:*** YES

With other governments/jurisdictions: YES

Papua New Guinea is a member of the Asia/Pacific Group on Money Laundering, a FATF-style regional body. Its most recent mutual evaluation can be found at:

<http://www.apgml.org/members-and-observers/members/details.aspx?m=3f87fdab-7836-49ec-85de-62ceb17b97f1>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Papua New Guinea's FIU believes close to half of the PNG budget is lost to fraud and laundered through the country's banks. There is little attempt to hide the source of the funds because of the low perceived risk of penalty. The FIU has adopted a proactive approach to combating this activity, focusing its efforts on crime prevention using financial intelligence. As part of this program, the FIU has issued new guidelines on government checks and payments to prevent criminals from being able to process government payments at financial institutions. The FIU claims it is inadequately staffed and resourced to fully address money laundering in PNG. The Government of Papua New Guinea should continue to build the capacity of the FIU.

There appears to be no clear political-level commitment to 'follow the money' to tackle corruption and other crimes, and no demonstrated commitment by financial sector regulators to regulate and supervise AML obligations, which severely hampers the authorities' ability to tackle financial aspects of corruption. The ease with which allegedly corrupt PNG officials and businessmen can transfer money to Australia is becoming an increasing concern for law enforcement officials in both countries. The government has had difficulties recovering stolen government funds in Australian bank accounts or invested in Australian real estate. The government should ensure the FIU, police, customs, and the National Fraud and Anti-Corruption Directorate are sufficiently resourced to be able to gather data and evidence, mount investigations, and bring charges.

Legislatively, authorities should criminalize terrorism financing, and the Ministry of Foreign Affairs and implementing agencies should develop and implement policies and procedures to implement the relevant UNSCRs. The government also should establish a legislative framework to ensure the immediate freezing of funds belonging to persons or entities designated under UNSCR 1267 and to ensure that lists of persons and entities so designated are distributed among financial institutions. PNG also should develop and implement a comprehensive system for the declaration or disclosure of cross border transportation of cash.

Papua New Guinea should become a party to the UN Convention against Transnational Organized Crime and the 1988 UN Drug Convention.

Paraguay

Paraguay is a major drug transit country and money laundering center. A multi-billion dollar contraband trade, fed in part by endemic institutional corruption, occurs in the border region shared with Argentina and Brazil (the tri-border area, or TBA) and facilitates much of the money laundering in Paraguay. While the Government of Paraguay suspects proceeds from narcotics trafficking are often laundered in the country, it is difficult to determine what percentage of the total amount of laundered funds is generated from narcotics sales or is controlled by domestic and/or international drug trafficking organizations, organized crime, or terrorist groups. Weak controls in the financial sector, open borders, bearer shares, casinos, a surfeit of unregulated

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exchange houses, lax or no enforcement of cross-border transportation of currency and negotiable instruments, ineffective and/or corrupt customs inspectors and police, and minimal enforcement activity for financial crimes allow money launderers, transnational criminal syndicates, and possible terrorism financiers to take advantage of Paraguay's financial system.

Ciudad del Este, on Paraguay's border with Brazil and Argentina, and nearby Salto del Guairá and Pedro Juan Caballero represent the heart of Paraguay's "informal" economy, and trade-based money laundering occurs in the region. The area is well known for arms and narcotics trafficking, document forging, smuggling, counterfeiting, and violations of intellectual property rights, with the illicit proceeds from these crimes a source of laundered funds. Some proceeds of these illicit activities were supplied to terrorist organizations.

Paraguay does not have an offshore sector. Paraguay's port authority manages free trade ports and warehouses in Argentina (Buenos Aires and Rosario); Brazil (Paranagua, Santos, and Rio Grande do Sul); Chile (Antofagasta and Mejillones); and Uruguay (Montevideo and Nueva Palmira).

Money laundering occurs in both the formal financial sector and the non-bank financial sector, particularly in exchange houses. Both sectors move illicit proceeds into the U.S. banking system. Large sums of dollars generated from normal commercial activity and suspected illicit commercial activity are also transported physically from Paraguay to Uruguay and Brazil, with onward transfers likely to destinations including banking centers in the United States.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/i/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: **criminally:** YES **civilly:** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* YES

KYC covered entities: Banks, credit and consumer cooperatives, and finance companies; insurance companies; exchange houses, stock exchanges, securities dealers, investment and trust companies; mutual and pension fund administrators; gaming entities; real estate brokers; non-governmental organizations (NGOs); pawn shops; and dealers in precious stones, metals, art, and antiques

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 2,098 in 2013

Number of CTRs received and time frame: 2,388,373: January - November 2013

STR covered entities: Banks, credit and consumer cooperatives, and finance companies; insurance companies; exchange houses, stock exchanges, securities dealers, investment and trust companies; mutual and pension fund administrators; gaming entities; real estate brokers; NGOs; pawn shops; and dealers in precious stones, metals, art, and antiques

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2013

Convictions: 0 in 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT*: NO **Other mechanism:** YES

With other governments/jurisdictions: YES

Paraguay is a member of the Financial Action Task Force against Money Laundering in South America (GAFISUD), a FATF-style regional body. Its most recent mutual evaluation, conducted by the IMF, can be found at:

<http://www.imf.org/external/pubs/ft/scr/2009/cr09235.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In 2013, Paraguay's Central Bank issued public reprimands to three banks and a letter of disapproval to one bank due to lax administrative oversight and weak internal controls that allowed the banks to be utilized for money laundering activity based out of Ciudad del Este. The amount laundered is estimated at close to \$500 million. Criminal investigations regarding this alleged money laundering are ongoing in Paraguay, and U.S. authorities opened criminal investigations against several of these banks' correspondent institutions in the United States.

The non-bank financial sector operates in a weak regulatory environment with limited supervision. The non-governmental organization responsible for regulating and supervising credit unions, the National Institute of Cooperatives, lacks the capacity to enforce compliance. Exchange houses are another critical non-bank sector where enforcement of compliance requirements remains limited. In 2013, the Secretariat for the Prevention of Laundering of Money or Assets (SEPRELAD) passed regulations to implement a 2012 law that requires politically exposed persons (PEPs) of foreign nationality be subject to enhanced due diligence procedures, as is required of domestic PEPs. For reporting entities that do not have a natural supervisory authority, SEPRELAD serves as the supervisor.

Prosecutors handling financial crimes have limited resources to investigate and prosecute. In addition, the selection of judges, prosecutors, and public defenders is largely based on politics, nepotism, and influence peddling. Interagency cooperation is improving, but continues to be an impediment to effective enforcement, prosecution, and reporting efforts. Money laundering criminal prosecutions/convictions data only represents cases prosecuted by the Attorney General's Economic Crimes Office. Paraguay does not have a centralized system for tracking money laundering cases prosecuted by other offices or by local prosecutors outside of Asuncion.

Paraguay needs to strengthen its 2012 asset forfeiture legislation and its implementation of current asset forfeiture provisions. When seizures do occur, law enforcement authorities often cannot conduct maintenance on seized goods to preserve their value and do not conduct auctions as authorized by law.

People entering or leaving the country are required to declare to Customs values exceeding \$10,000 or its equivalent in other currencies. However, Customs operations at the airports or overland entry points provide little control of cross-border cash movements. Customs officials are often absent from major border crossings, and required customs declaration reports are seldom checked. Paraguay has yet to put in place an effective framework for disposing of bulk cash seized in connection with undeclared or suspicious movements.

Although Paraguay made progress overall in improving its AML/CFT regime, concerns remain with regard to Paraguay's ability and commitment to prosecute suspected money laundering effectively, authorities' broader coordination capacity, and the weakness of institutional frameworks. Paraguay should demonstrate the effectiveness of the legislation in force and of mechanisms it has put in place.

Perry

Peru is neither a major regional financial center nor an offshore financial center. According to the most recent U.S. government statistics, Peru is the world's highest potential producer of both pure cocaine and export-quality cocaine. Money laundering is often used as a tool to integrate significant illegal earnings from drug trafficking into the Peruvian economy. As the Peruvian economy grows, financial crimes also increase. The most common methods of money laundering in Peru are believed to be illegal mining, real estate sales, casinos, business investments, high interest loans, construction, export businesses, hotels, and restaurants. Other factors which facilitate money laundering include Peru's cash-based and heavily-dollarized economy, a large informal sector, and deficient regulatory supervision of designated non-financial businesses and professions (DNFBPs), such as informal money exchanges and wire transfer services. A large black market for pirated and smuggled goods exists, flush with cash transactions. Pervasive corruption remains an issue of serious concern in Peru.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: **Foreign:** YES **Domestic:** YES

KYC covered entities: Banks, insurance companies, stock funds and brokers, stock and commodities exchanges, credit and debit card companies, money exchange houses, mail and courier services, travel and tourism agencies, hotels and restaurants, notaries, the customs agency, casinos, auto dealers, construction or real estate firms, notaries, and dealers in precious stones and metals

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 3,265: January - September 2013

Number of CTRs received and time frame: 4.65 million: January - September 2013

STR covered entities: Banks; casinos; investment houses; dealers of arms, antiques, precious metals and stones; warehouses, construction, and real estate firms; financial and insurance companies; travel agents; vehicle dealerships, import and export agents; credit card companies, courier and postal services, money lenders, and money exchanges; customs; mining companies; individuals and enterprises that manufacture and commercialize explosives or chemical components used in drugs and explosives; and public entities that receive funds from other than the national treasury

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 238: January - October 2013

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO ***Other mechanism:*** YES

With other governments/jurisdictions: YES

Peru is a member of the Financial Action Task Force in South America (GAFISUD), a FATF-style regional body. Its most recent mutual evaluation can be found at:

<http://www.gafisud.info/actividades.asp?offset=-1>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In 2013, the Government of Peru made significant strides to continue the implementation of the “National Plan to Combat Money Laundering and Terrorist Financing (National Plan).” Both the appointed Prime Minister and the Superintendent of Banks, Insurance, and Pension Funds (SBS) expressed commitments to fully implement the National Plan. A notable 2013 advancement was the passage of the Law against Organized Crime (No. 30077), which removes obstacles that impede organized crime and money laundering investigations. The new legislation reflects international standards by allowing for heavier sentencing, establishing modern investigative techniques, and redirecting all cases involving organized crime to the National Superior Criminal Court. Additionally, the new law allows police to seize assets linked to organized crime without prior approval of a prosecutor, which reduces the likelihood of preemptive criminal asset removal.

Casinos remain an area of money laundering concern. Much of this concern relates to the casinos' supervisory authority. The Ministry of Foreign Commerce and Tourism (MINCETUR) is the principal regulator of casinos. The financial intelligence unit (FIU) cannot monitor or investigate casinos for money laundering independent of MINCETUR. MINCETUR is a participant in the National Plan and provides information to the FIU by requiring casinos to report suspicious transactions.

Currently, businesses involved in the transfer of funds only need prior authorization by the SBS while cash couriers need a signed agreement with the Ministry of Transportation and Communication. Informal remittance businesses remain unsupervised and vulnerable to money laundering, including travel agencies and small wire transfer businesses. Peru would benefit from expanded supervision and regulation of financial institutions and DNFBPs. Progress was made in monitoring and regulating notaries, pawn shops, and exchange houses. However, the FIU needs additional resources to deal with its expanded monitoring responsibilities.

Peru would benefit from capacity building efforts in the prosecutorial system – including in the conduct of investigations; the presentation and the use of clearer language when writing investigative reports for prosecutors; and improvement of prosecutorial capacity. Prosecutors complain they cannot understand the format or language of many of the FIU's investigative results; the lack of financial experts to decode the FIU's reports makes it difficult for prosecutors to investigate the results within the required 120-day time frame. Compounding the problem, many judges lack adequate training to manage the technical elements of money laundering cases and banks often delay providing information to judges and prosecutors. Convictions tend to be for lesser offenses or predicate crimes, such as tax evasion or drug trafficking, which are easier offenses to prosecute successfully.

Peru's bank secrecy law remains a primary obstacle to effective investigation and enforcement. The National Plan emphasizes the importance of adopting legislation that allows the SBS and FIU to have greater access to bank and tax records. In 2013, the Peruvian Congress rejected a bill intended to reduce banking secrecy and provide authorities with greater access to bank and tax records; bank secrecy continues to be a highly-sensitive issue. In August 2013, new implementing regulations were passed that allow the Peruvian Customs and Tax Authority (SUNAT) to seize cash holdings above \$30,000 from individuals crossing the border. SUNAT is required to immediately inform the FIU of the seizure, and the owners of the seized currency have 72 hours to submit evidence to the FIU that the cash is of licit origin. The FIU can now initiate investigations on suspicious electronic transactions over \$10,000.

Legislative Decree 1106 – “Legislation to Fight against Money Laundering and other Crimes Linked with Illegal Mining and Organized Crime” – specifically empowers the FIU and SBS to freeze bank accounts in cases suspected of links with money laundering or terrorist financing, within 24 hours of a request made by a judge, regardless of whether a criminal case was filed. This allows for the enforcement of UN sanctions. The FIU successfully requested a complementary bill that provides more legal clarity in the implementation of this authority.

A new AML unit within the Public Ministry, financed by \$727,000 raised from the sale of seized assets, was announced on October 1, 2013. The Public Ministry plans to co-locate the organized

crime and AML units to coordinate investigations and develop expertise in the AML unit's prosecution of complex money laundering crimes. The Public Ministry should not miss opportunities to investigate and prosecute the financial motive of a crime if investigations of the predicate crime are not properly coordinated with this new office.

From January to September 2013, only 64 Financial Intelligence Reports totaling \$214 million were submitted to the Public Ministry, although 3,265 suspicious transaction reports (STRs), with a total value of \$4.91 billion, were filed during the same period. Most STRs originate in Lima (59 percent). As of October 2013, there were 238 cases at various stages within the judicial system and approximately 797 cases in the investigative phase.

The U.S. Financial Crimes Enforcement Network and the Peruvian FIU formally reinstated their information sharing agreement on July 5, 2013. The relationship was suspended for more than two years following an unauthorized leak of sensitive information to the Peruvian press in May 2011.

Philippines

The Republic of the Philippines is not a regional financial center, but with a growing economy it is increasingly becoming an important player in Asia. The Philippines faces challenges from transnational drug trafficking organizations, as methamphetamine abuse remains a significant problem domestically and the Philippines has become a drug transit country for cocaine and methamphetamine going into East Asia. In particular, significant quantities of methamphetamine enter the Philippines in bulk shipments via maritime routes and also via drug couriers using commercial aviation flights into the international airports. Transnational drug trafficking organizations based in East Asia use the existing banking system, casinos, and commercial enterprises to transfer drug proceeds from the Philippines to offshore accounts. Other transnational criminal organizations, such as African and Latin American based groups, are also expanding their presence throughout East Asia and will likely exploit the Philippine financial system to launder and transfer drug trafficking proceeds. In addition, insurgent groups operating in the Philippines engage in money laundering through ties to organized crime, deriving funding from kidnapping for ransom as well as narcotics and arms trafficking.

The Philippine Amusement and Gaming Corporation (PAGCOR), a government-owned entity, regulates the growing gaming industry. PAGCOR reported gross revenues equivalent to nearly \$1 billion during 2012.

The large Filipino expatriate community sends remittances that also provide a channel for money laundering. However, banks and money remitters are now able to capture the bulk of remittances, approximately 90 percent, sent by overseas Filipinos.

The Philippines is a leader in the use of cell phone technology for funds transfers. Although less prevalent, the Government of the Philippines has also started using this technology for government-to-persons payments, such as through its Conditional Cash Transfer Program. The technology/systems that telecommunications firms use to facilitate financial transfers are subject to Philippine Central Bank study and approval.

The Philippine Economic Zone Authority (PEZA) regulates about 290 economic zones throughout the country. Local governmental units, the government-owned Bases Conversion Development Authority, or the Clark Development Corporation regulate a handful of other zones. Overall, the PEZA economic zones are properly regulated, but smuggling can be a problem in the locally-regulated zones. In addition, the Central Bank exercises regulatory supervision over three offshore banking units and requires them to meet reporting provisions and other banking rules and regulations.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banking institutions (universal, commercial, thrift, rural, cooperative banks, and offshore banking units) and quasi banks; pawn shops and dealers in precious metals and stones; insurance, reinsurance, and pre-need companies, agents, and brokers; mutual benefit associations and holding companies controlling any authorized insurer; trust funds/entities; securities broker/dealers, sales representatives, consultants, and managers; investment houses and mutual funds; foreign exchange dealers, money changers, remittance/transfer agents, and electronic money issuers; entities dealing in currency, financial derivatives, cash substitutes, and similar monetary instruments; and lawyers and accountants

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 19,888: January 1 - October 31, 2013
Number of CTRs received and time frame: 39,232,765: January 1 - October 31, 2013
STR covered entities: Banking institutions (universal, commercial, thrift, rural, cooperative banks, and offshore banking units) and quasi banks; pawn shops and dealers in precious metals and stones; insurance, reinsurance, and pre-need companies, agents, and brokers; mutual benefit associations and holding companies controlling any authorized insurer; trusts funds/entities; securities broker/dealers, sales representatives, consultants, and managers; investment houses and mutual funds; foreign exchange dealers, money changers, remittance/transfer agents, and electronic money issuers; entities dealing in currency, financial derivatives, cash substitutes, and similar monetary instruments; and lawyers and accountants

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 3: January 1 - October 31, 2013

Convictions: 1: January 1 - October 31, 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* YES **Other mechanism:** YES

With other governments/jurisdictions: YES

The Philippines is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation report can be found at: <http://www.fatf-gafi.org/countries/n-r/philippines/documents/mutualevaluationofthephilippines.html>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Amendments to the Anti-Money Laundering Act (AMLA), enacted in February 2013, expand the definition of money laundering in accordance with standards specified in international conventions to which the Philippines is a party; expand the list of covered institutions; and add human trafficking, environmental-related crimes, misappropriation of public funds, and violations of intellectual property laws as money laundering predicate crimes.

Revisions in 2012 to the AMLA Implementing Rules and Regulations call for enhanced due diligence for domestic and foreign politically exposed persons (PEPs) assessed as high risk for money laundering and terrorist financing, including family members and close associates. At a minimum, enhanced due diligence requires covered institutions to obtain senior management approval for establishing or continuing business relationships; take reasonable measures to establish their source of wealth/funds; and conduct continuing, enhanced monitoring of the business relationship.

Casinos and online gaming establishments currently are not covered institutions under the AMLA. The Anti-Money Laundering Council and PAGCOR are working to finalize proposed legislation to include gaming establishments under the AMLA. Considering unsuccessful attempts in the past to include casinos, enactment into law during the remaining two and a half years of the current administration may be a challenge without continued international pressure.

There is no single supervisory authority for entities in the non-profit sector. Monitoring is weak due to insufficient coordination and limited resources of regulatory bodies.

While the Philippines has made notable progress in enacting legislation and issuing regulations, limited human and financial resources constrain tighter monitoring and enforcement.

Poland

Poland is a high-income economy and is the sixth largest economy in the EU and one of the fastest growing in Europe. Yet Poland is not considered a regional financial center, nor is it considered a particularly important international destination for money laundering. Poland lies

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directly along one of the main routes used by narcotics traffickers and organized crime groups between the former Soviet Union republics and Western Europe. According to the Government of Poland, evasion of customs duties and taxes by organized Polish criminal elements remains the largest source of illegal funds. Authorities identified virtual currencies, specifically bitcoin, as a new, increasingly significant avenue for money laundering in 2013. Authorities continue to report that Asian (primarily Chinese and Vietnamese) organized criminal elements are increasingly remitting profits from tax evasion and the sale of counterfeit goods via money transfers and couriers. The majority of Asian organized crime activity occurs at the Chinese Trade Center located in Wolka Kosowska, approximately 25 kilometers from Warsaw. There are also smaller Asian shopping centers located in Rzgow (near Lodz) and Jaworzno (near Katowice) where organized crime activity is suspected. The principal scheme involves the extreme undervaluing of imported goods through the falsification of invoices, which are used to determine the customs value of products and the applicable value added tax (VAT). The sale of counterfeit goods and illegal drug trafficking are also suspected at these markets.

Fuel and cigarette smuggling, by which local companies and organized crime groups seek to avoid excise taxes by forging delivery documents, is a major source of laundered proceeds. The practice is particularly significant along the Kaliningrad border. Money laundering through trade in scrap metal and recyclable material continues to be a growing trend, as is organized criminal activity in the financial services area through internet banking, credit cards, and electronic systems for money transfers. The Finance Ministry maintains the effectiveness of actions against money laundering involving transfer of money to tax havens is improving with the increase in the number of cooperation agreements concluded with counterparts in such countries. It is also believed some money laundered in Poland originates in Russia or other countries of the former Soviet Union. A July 2013 memorandum of understanding on the sharing of money laundering and terrorism financing data between Poland and Russia may begin to shed light on the volume of these transfers. Polish authorities have identified carousel and VAT fraud as the most frequent source of illegal proceeds. The nation's banks, insurance companies, brokerage houses, and casinos are also major venues of money laundering.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** NO

KYC covered entities: Banks, financial leasing and factoring companies, currency exchanges, investment companies and funds, the National Depository for Securities, gaming institutions, insurance companies, the National Bank of Poland, the Polish Post, foreign legal entities carrying out brokerage activities, electronic money institutions, credit unions, notaries, foundations, auctioneers, pawnshops, dealers of high-value goods and precious metals and stones

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 31,395 in 2012

Number of CTRs received and time frame: Not available

STR covered entities: Banks, financial leasing and factoring companies, currency exchanges, investment companies and funds, the National Depository for Securities, gaming institutions, insurance companies, the National Bank of Poland, the Polish Post, electronic money institutions, credit unions, notaries, foundations, real estate agents, lawyers, auctioneers, pawnshops, dealers of high-value goods and precious metals and stones, new payment services entities and agents

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 208 in 2012

Convictions: 30 in 2012

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES **Other mechanism:** YES

With other governments/jurisdictions: YES

Poland is a member of the Council of Europe Select Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body. Its most recent mutual evaluation can be found at:

http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Poland_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Over the last few years, the Government of Poland has strengthened and harmonized its AML/CFT tools and institutions with international standards. Poland created an autonomous offense of terrorism financing. Cooperation among relevant authorities and institutions has increased; however, work remains to ensure effective implementation. Poland should ensure promulgating regulations are fully effective. The government should promote additional capacity building in the private sector and continue to improve communication and coordination among the FIU and relevant law enforcement agencies. The FIU is seeking ways to upgrade analytical tools in order to be able to process data more comprehensively and efficiently. Police and customs officials, in particular, should continue efforts to recognize diverse money laundering and terrorism financing methodologies, including trade-based money laundering and informal value transfer systems. There is good and improving cooperation with international law enforcement agencies. In 2012, there were 17 criminal asset forfeiture cases totaling 44,299,583 PLN (approximately \$14,650,000). There is no non-conviction-based forfeiture in Poland.

Portugal

Portugal is an entry point for narcotics transiting into Europe, and Portuguese officials indicate the majority of money laundered in the country is narcotics-related. Its long coastline, vast territorial waters and privileged relationships with countries in Latin America and Africa make it a gateway country for Latin American cocaine and a transshipment point for drugs coming from West Africa entering Europe.

Portuguese authorities have detected criminal funds being placed into the financial system from smuggled commodities, particularly tobacco products. Authorities also have noted significant criminal proceeds from corruption, traffic in works of art and cultural artifacts, extortion, embezzlement, tax offenses, and aiding or facilitating illegal immigration. Currency exchanges and real estate purchases often are used for laundering criminal proceeds.

There are 11 casinos in Portugal managed by eight public cooperatives licensed by the Ministry of Economy. Business interests from China (Macau) have significant involvement in some of the cooperatives. The Tourism Office supervises and monitors casinos. Online casinos are illegal.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, credit institutions, and investment companies; financial leasing, factoring, and mutual guarantee companies; electronic money institutions; life insurance, pension fund management, and credit securitization companies; venture capital and venture capital funds management companies; collective investment entities; postal service entities; casinos and lotteries; property dealers; lawyers, accountants, and auditors; and dealers in high-value goods

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 7,184 in 2012

Number of CTRs received and time frame: 1,277 in 2012

STR covered entities: Banks and credit institutions; investment companies; life insurance companies; financial leasing, factoring, and mutual guarantee companies; electronic money

institutions; pension fund management, credit securitization, venture capital, and venture capital funds management companies; collective investment entities; postal service entities; casinos and lotteries; property dealers; lawyers, accountants, and auditors; traders in high-value goods

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 31 in 2012

Convictions: 17 in 2012

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES ***Other mechanism:*** YES

With other governments/jurisdictions: YES

Portugal is a member of the FATF. Its most recent mutual evaluation can be found at:

<http://www.fatf-gafi.org/countries/n-r/portugal/documents/mutualevaluationofportugal.html>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Although the general legal principle in Portugal is that only individuals are subject to criminal liability, there are exceptions. Paragraph 2 of Article 11 of the Criminal Code, as revised in 2007, provides for criminal corporate liability for money laundering and certain other crimes.

The Government of Portugal should continue to be concerned about many suspicious and large scale Angolan investments in Portuguese luxury real estate, businesses, and financial institutions. Angola is a former Portuguese colony and one of the most corrupt countries in the world. There are allegations that Portugal serves as a hub for laundering dirty money for Angola's ruling class and *nouveaux riches*.

Qatar

Qatar has become an increasingly important banking and financial services center in the Gulf region. Despite the growth of the banking sector and increasing options for financial services, Qatar still has a largely cash economy. The expansion of the financial and trade sectors, the large number of expatriate laborers who send remittances to their home countries, the liberalization and growth in the real estate sector, uneven corporate oversight, and Iran's efforts to bypass sanctions through Gulf economies make Qatar increasingly vulnerable to the threat of money laundering. Exploitation of charitable services by terrorism financiers continues to be a concern, as does the misuse of exchange houses and other non-bank financial systems. In 2013, the Qatar State Security Bureau established a Directorate of Economic Affairs to combat burgeoning economic crimes and public corruption.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT

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AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach
Are legal persons covered: **criminally:** YES **civilly:** NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: **Foreign:** YES **Domestic:** NO

KYC covered entities: Banks, real estate brokers, dealers of precious metals or stones, lawyers and notaries, trust funds and company service providers, and non-profit organizations (NPOs)

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 384 in 2013

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks, real estate brokers, dealers of precious metals or stones, lawyers and notaries, trust funds and company service providers, and NPOs

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 1 in 2013

Convictions: 0 in 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** NO **Other mechanism:** YES

With other governments/jurisdictions: YES

Qatar is a member of the Middle East & North Africa Financial Action Task Force (MENAFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.menafatf.org/images/UploadFiles/QatarMER1.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Qatar did not pass or implement any new legislation in 2013 pertaining to its AML/CFT regime; a law on charities oversight was in development throughout the year, but remained in draft status as of December 31. The National Anti-Money Laundering and Terrorism Financing Committee (NAMLC) continues to be the government agency charged with AML/CFT policy. It is under the direction of the Deputy Central Bank Governor.

The Qatar Financial Information Unit (QFIU) issued guidelines on suspicious transaction reporting (STR) obligations and conducted outreach and workshops with financial institutions. In 2012, the QFIU launched its “2013-2017 Strategy: Financial Transparency to Promote Stability and Security.” In 2013, the QFIU began implementing eight strategic goals as part of this five-year initiative, focusing on building administrative capacity, technical capacity, promoting QFIU cooperation and coordination with other national authorities, identifying trends

and indicators of money laundering and terrorism financing, promoting and monitoring the implementation of controls related to suspicious transaction reporting systems, establishing a suspicious transaction reporting system, building effective relationships with international agencies, and raising awareness of civil society institutions about the role of the QFIU.

The National Anti-Terrorism Committee (NATC), located in the Ministry of Interior, has the authority by resolution to designate as terrorists and terrorist organizations those who finance terrorism independently of lists forwarded to Qatar pursuant to UNSCRs 1276 and 1373. Qatar's Ministry of Social Affairs and Labor monitors and licenses non-governmental charitable organizations and requires that Qatari organizations' foreign partners submit to a vetting and licensing process before receiving Qatari funds. In the past, Qatar has revoked foreign charities' licenses over concerns about their activities. The potential abuse of the charitable sector by terrorist financiers continues to be a concern.

The Qatari government recently established a technical team headed by the chief of the QFIU, comprised of members of the NATC, NAMLC, and the Ministry of Foreign Affairs, to coordinate with the Treasury Department on issues related to counterterrorism financing.

In 2013, the Qatar State Security Bureau established a Directorate of Economic Affairs to combat burgeoning economic crimes and potential public corruption. As of December 2013, the Public Prosecutor's Office received one report on a money laundering crime, with no judgment issued as of the end of the year.

Qatar should continue its efforts to effectively implement AML/CFT regulations and procedures, and should ensure sufficient resources and training are provided to develop the necessary institutional capacity. Qatar should continue to work to increase the rate of investigations and prosecutions by building capacity within its law enforcement authorities. Qatar also should pursue outreach and enforcement activities to ensure terrorist financing-related STR reporting occurs, and ensure the UNSCRs 1267 and 1373 freezing regime is effectively implemented. Qatar should mandate the declaration of cross-border movements of bulk cash or negotiable instruments.

Regarding Iran-related terrorism and proliferation transactions, the Central Bank ordered financial institutions to freeze any assets of entities listed in UNSCRs 1737, 1747, 1803, and 1929 and prohibited transactions with listed entities. Bank Saderat is the only active Iranian financial entity, with two small branches in Doha. As a foreign bank, Saderat cannot open new branches or expand its activities in Qatar. Reflecting general concerns in the Gulf about Iranian financial institutions, many Qatari banks no longer clear checks for Bank Saderat, and Qatari banks have ended all correspondent relations with Saderat.

Romania

Romania's geographical location makes it a natural transit country for narcotics, arms, stolen vehicles and persons trafficked by transnational organized criminal groups. As a result, Romania is vulnerable to financial activities associated with such crimes, including money laundering. Tax fraud, fraudulent claims in consumer lending, and trans-border smuggling of people,

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counterfeit goods, vehicles, and cigarettes are additional crimes prevalent within Romania that generate illicit proceeds. Laundered money comes primarily from international crime syndicates that conduct their criminal activity in Romania, and subsequently launder their illicit proceeds through illegitimate front companies. Commercial transactions have been the main method of money laundering, mainly through use of shell and offshore companies; this primarily involves fraudulent claims for value added tax reimbursement. In 2013, there were no reports that financial institutions in Romania were involved in transactions involving international narcotics trafficking.

Studies have found Romanian computer servers to be the second largest source of cybercrime transactions worldwide. Although a majority of victims reside in the United States, Romanian cybercriminals are increasingly targeting victims elsewhere in Europe, as well as in Romania itself.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/i/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: **criminally:** YES **civilly:** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES
KYC covered entities: Banks; institutions issuing consumer, commercial, and specialized credit; mortgage and real estate lenders; micro-lenders; factors, forfeiture agents, and financial leasing firms; guarantors; financial investment service providers; insurers and re-insurers; securities brokers; private pension funds; accounting, consulting, audit, and law firms; notaries; casinos; persons responsible for privatizations; non-governmental organizations; real estate brokers; and individuals or corporate traders of goods and/or services with a minimum 15,000 euro (approximately \$ 20,700) cash turnover

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 3,341: January 1 - October 31, 2013

Number of CTRs received and time frame: 8,460: January 1 - October 31, 2013

STR covered entities: Banks; institutions issuing consumer, commercial, and specialized credit; mortgage and real estate lenders; micro-lenders; factors, forfeiture agents, and financial leasing firms; guarantors; insurers and re-insurers; securities brokers; private pension funds; accounting, consulting, audit, and law firms; notaries; and real estate brokers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 32: January – October, 31 2013

Convictions: 131: January – October, 31 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES **Other mechanism:** YES

With other governments/jurisdictions: YES

Romania is a member of the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body. Its most recent mutual evaluation report can be found at:

http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Romania_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The National Office for the Prevention and Control of Money Laundering is the financial intelligence unit (FIU) of Romania and is responsible for developing, and coordinating the implementation of, an AML system. Other organizations working to combat money laundering in Romania include the Directorate for Investigating Organized Crime and Terrorism, and the National Anti-Corruption Directorate.

Romania's FIU faces the continual challenge of limited financial, human, and technical resources. The Government of Romania should continue to improve communication between reporting and monitoring entities, as well as between prosecutors and the FIU.

The FIU drafted a 2013-2016 Operational Strategy, including goals and guidelines regarding the reporting, intelligence, and dissemination activities; the Strategy was approved by the government in April 2013. In June 2013, the FIU became a member of the Strategic Inter-Ministerial Group established to prevent and combat “macro-criminality” affecting the security of citizens and institutions. The FIU is a beneficiary of the EU’s SIENRO project, i.e., the “secured network for exchanging intelligence among law enforcement institutions in Romania, connected to the Europol-Siena secured network.”

In order to improve the rate of money laundering prosecutions and convictions, the Romanian authorities should not become overly reliant on STRs and other forms of financial intelligence but instead empower law enforcement and customs authorities to detect and investigate money laundering at the street level, including at borders and ports. Romania should improve implementation of existing procedures for the timely freezing, seizure, and forfeiture of criminal or terrorist-related assets. Romania should improve its efforts to thwart corruption in public procurement. In 2013, Romania reported at least one case in which corruption was identified as a predicate offense contributing to money laundering.

Russia

Money laundering continues to cost the Russian economy billions of dollars every year. In 2012, the Central Bank of Russia (CBR) estimated that \$49 billion left Russia illegally. Of this, \$35 billion left Russia through what the CBR terms “fictitious transactions,” which according to the

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CBR includes payment for narcotics, bribes to government officials, and tax evasion. While there has been significant progress in improving Russia's AML/CFT legal and enforcement framework, the prevalence of money laundering in Russia remains a major obstacle to financial sector development. Domestic sources of laundered funds include organized crime, evasion of tax and customs duties, fraud, smuggling operations, and corruption.

Official corruption remains a major problem at all levels of government. Despite several recent high profile anti-corruption actions by the Government of Russia, corruption is a major source of laundered funds, with proceeds frequently moved offshore.

Russia is considered a significant transit and destination country for international narcotics traffickers; criminal elements from Russia and neighboring countries continue to use Russia's financial system and foreign legal entities to launder money. Criminals invest and launder their proceeds in securities instruments, both domestic and foreign real estate, and luxury consumer goods.

Gaming is only allowed in specified regions, with regulatory authority shared across multiple agencies, including the Ministries of Finance and Internal Affairs. The Federal Financial Monitoring Service (Rosfinmonitoring) has been designated as the competent AML/CFT authority for casinos. Only licensed casinos in special gambling zones can register with Rosfinmonitoring, which has inspected the two registered casinos. Online gaming is prohibited.

Cybercrime remains a significant problem. Russia's highly skilled hackers and traditional organized crime structures have followed the global trend of increasingly combining forces, resulting in an increased threat to the financial sector. A leading Russian cybercrime investigation consulting firm, Group-IB, estimated the Russian domestic cybercrime market for 2011 at \$2.3 billion (part of a global market of \$12.5 billion), approximately double the level of 2010. Other estimates are much higher.

There is a large migrant worker population in Russia. While the majority of workers likely use formal banking mechanisms, a considerable amount of transfers are believed to occur through informal value transfer systems that may pose a vulnerability for money laundering.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.; YES

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All crimes approach
Are legal persons covered: criminally: NO civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: **Foreign:** YES **Domestic:** YES

KYC covered entities: Banks and credit institutions; Russian Post; payment acceptance and money transfer services; securities, insurance and leasing companies; investment and non-state pension funds; casinos and gaming outlets; dealers in precious metals and stones; real estate agents; pawnshops, microfinance organizations, and consumer credit cooperatives; and legal or accounting service providers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 10 million in 2012

Number of CTRs received and time frame: Not available

STR covered entities: Banks and credit institutions; securities markets, investment and pension funds; Russian Post; insurance sector; leasing companies; dealers in precious metals and stones; casinos; real estate agents; lawyers, notaries, and legal or accounting service providers; microfinance organizations; consumer credit cooperatives; and non-commercial organizations receiving funds from certain foreign entities

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** YES ***Other mechanism:*** YES

With other governments/jurisdictions: YES

Russia is a member of the FATF and two FATF-style regional bodies: the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL); and the Eurasian Group on Combating Money Laundering and the Financing of Terrorism (EAG). Its most recent mutual evaluation can be found at:

<http://www.fatf-gafi.org/countries/n-r/russianfederation/>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In 2013, Russia enacted significant updates to its primary AML/CFT legislation to address several identified shortcomings. Notable elements include: beneficial owner definitions identifying any natural person who directly or indirectly owns more than 25 percent of a legal entity's equity or has other means to control such entity; access, with court approval, to information on bank accounts of both natural and legal persons for tax inspectors and law enforcement investigators; bank reporting to tax authorities of the opening and closing of bank accounts of natural persons; the right of banks to unilaterally decline to open an account or terminate an existing account of a client suspected of criminal activities; the ability of credit institutions to freeze any client's account if they suspect any involvement in extremist activities or terrorism; and making transferring funds to non-residents' accounts, using either falsified documents or smuggled cash, a criminal offense. While this new legislation is a major step forward for Russia, full and unbiased implementation will be required to address Russia's reputation as a center for money laundering.

In 2013, Russia established a financial sector mega-regulator within the CBR. This was accomplished by bringing the Federal Financial Markets Service (FFSM), which is responsible for regulating insurance, pension funds, securities exchanges, and commodity markets, under the authority of the CBR, which is responsible for regulating banks. The FFSM had long been regarded as under-resourced and unable to offer the competitive salaries necessary to attract qualified employees. Its merger with the CBR, which has earned a solid reputation as an able regulator, is expected to increase oversight in previously poorly regulated sectors.

In addition to taking responsibility for regulating non-bank financial entities, the CBR, under its new leadership, has stepped up enforcement within the banking sector, revoking 24 banking licenses in the first 11 months of 2013. In two of the largest cases, Master-Bank and Bank Pushkino, regulators explicitly cited AML compliance violations as reasons for the revocations. It is unclear how many of the other license revocations involved money laundering concerns.

This year, Russia also enacted new legislation designed to combat official corruption and money laundering. On May 19, 2013, new legislation came into force banning senior public officials and executives of state corporations, as well as their spouses and underage children, from setting up bank accounts or holding stocks or bonds overseas. In addition, while allowing ownership of property abroad, the legislation requires overseas property to be properly declared. Officials that are found to be in violation face dismissal based on “lack of trust.” State auditors can initiate investigations into officials based on information provided by journalists, law enforcement bodies, political organizations, and other sources. While this legislation was introduced with the goal of bringing capital back to Russia, a secondary objective is to make it more difficult to launder proceeds of official corruption offshore.

Rwanda

Rwanda is not an offshore or financial center. The Rwandan financial system remains relatively unsophisticated, although the number of electronic fund transfers and credit card transactions is rising. Money transfers by cell phone are becoming common. While the black market for smuggled goods is limited, the smuggling of tin, tantalum, tungsten, and gold from the neighboring Democratic Republic of the Congo generates funds that may be laundered through Rwanda’s financial system. The scope of this smuggling is difficult to quantify.

For additional information focusing on terrorist financing, please refer to the Department of State’s Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Are legal persons covered: **criminally:** YES **civilly:** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: **Foreign:** YES **Domestic:** YES

KYC covered entities: Banks, private legal practitioners, auditors, real estate agents, high-value traders, casino and lottery owners, mobile network operators, travel agencies, and non-governmental organizations (NGOs)

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks, private legal practitioners, auditors, real estate agents, high-value traders, casino and lottery owners, travel agencies, and NGOs

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2013

Convictions: 0 in 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** NO **Other mechanism:** NO

With other governments/jurisdictions: YES

Rwanda is not a member of a FATF-style regional body (FSRB).

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The establishment of a financial intelligence unit (FIU) within the Rwanda National Police has improved monitoring of the financial system. This improvement, however, has not yet led to an increase in prosecutions and convictions related to financial crimes. In general, relevant agencies of the Government of Rwanda need further training, resources, and technical expertise to effectively investigate and enforce laws concerning money laundering and terrorism financing.

Under Rwandan law, all foreign currency transactions in excess of \$20,000 or its equivalent are documented and reported to the Central Bank. Any transaction of any type in excess of \$1 million must be reported as a suspicious transaction. These thresholds should be reviewed to determine if they are appropriate, given the average size of transactions in the Rwandan financial system, and should be adjusted, if necessary.

Rwanda should provide safe harbor protections for its reporting entities, seek to provide training and resources for its competent authorities, ensure its FIU's ability to operate free of undue influence, and pursue membership in a FSRB.

Samoa

The Independent State of Samoa is not known to have major organized crime, fraud, or drug problems, and due to the small size of the local economy and the banking sector, Samoa has not

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become a haven for money laundering or terrorism financing. There is also no significant evidence of large scale public corruption or black market activity. The most common financial crimes within the jurisdiction appear to be low-level fraud and theft.

According to law enforcement, criminal organizations based in Hawaii and California are involved in the trafficking of cocaine and crystal methamphetamine into the island nations, including Samoa. Additionally, South American and Australian-based organizations use the South Pacific islands as transshipment locations for cocaine being shipped from South America into Australia and New Zealand.

Samoa is an offshore financial jurisdiction administered by the Samoa International Finance Authority (SIFA). For entities registered or licensed under the various Offshore Finance Centre acts, there are no currency or exchange controls, and no foreign exchange levies payable on foreign currency transactions. No income tax or other duties, nor any other direct or indirect tax or stamp duty is payable by registered/licensed entities.

There are four locally incorporated commercial banks, supervised by the Central Bank. There are no casinos, but licenses recently have been given to two private entities to operate casinos in the future. In addition, two local lotteries are in operation.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** NO ***Domestic:*** NO

KYC covered entities: Banks, money remitters, casinos, real estate agents, lawyers, accountants, trust and company service providers, credit unions, foreign exchange dealers, dealers of precious metals and stones, and insurance companies

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 40 in 2013

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks, casinos, real estate agents, lawyers, accountants, foreign exchange dealers, money remitters, credit unions, dealers of precious metals and stones, trust and company service providers, and insurance companies

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0

Convictions: 0

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO *Other mechanism:* YES

With other governments/jurisdictions: YES

Samoa is a member of the Asia/Pacific Group on Money Laundering, a FATF-style regional body. Its most recent mutual evaluation report can be found at:

<http://www.apgml.org/mutual-evaluations/documents/default.aspx?s=date&c=8b7763bf-7f8b-45c2-b5c7-d783638f3354&pcPage=4>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Money Laundering Prevention Task Force (MLPTF) meets quarterly to advise or make recommendations to the Money Laundering Prevention Authority (MLPA), which houses Samoa's financial intelligence unit. The MLPTF is tasked to ensure close liaison, cooperation and coordination among various Government of Samoa departments and corporations. The task force established a memorandum of understanding among all members of the task force with respect to formal exchange and sharing of relevant information to counter money laundering offenses and terrorism financing activities.

The independent and permanent Transnational Crime Unit (TCU) is staffed by personnel from the Samoa Police Service, Immigration Division of the Ministry of the Prime Minister, and Division of Customs. The TCU is responsible for intelligence gathering and analysis; and investigating transnational crimes, including money laundering, terrorism financing, and the smuggling of narcotics and people. It is a challenge for the TCU to gather information, however, even from agencies in the MLPA.

While legal structures are in place to combat both money laundering and terrorism financing, resource constraints continue to limit investigatory and prosecutorial capacity. Reporting and oversight mechanisms appear to be under-funded, and the government should consider expanding their resources, particularly in light of the risks associated with the offshore sector. The addition of gaming operations in Samoa will require increased regulatory oversight and management to limit money laundering risk and criminal exposure. Particular aspects of the country's AML law should be strengthened, such as requiring enhanced due diligence for politically exposed persons (PEPs) and ascertaining beneficial ownership.

Samoa should become a party to the UN Convention against Transnational Organized Crime and the UN Convention against Corruption.

San Marino

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The Republic of San Marino is an extremely small country surrounded by Italy. San Marino continues to take steps to improve its AML regime and increase the transparency of its financial sector.

Stricter monitoring regulations appear to have resulted in a decrease overall in financial crimes. Money laundering occurs in both the formal and non-bank financial sectors, unrelated to narcotics trafficking. Money laundering is mainly trade-based and is perpetrated by foreigners to avoid higher taxes in their home countries. There are no free trade zones or casinos in San Marino, nor is there a significant market for illegal or smuggled goods.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** NO
KYC covered entities: Banks and financial companies, the postal service, electronic money institutions, investment firms, insurance companies, lawyers, trust companies, accountants, auditors, gaming centers, and money exchangers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 64: January 1 - September 10, 2013
Number of CTRs received and time frame: Not available
STR covered entities: Banks and financial companies, insurance and reinsurance companies, accountants and tax advisors, real estate agents, notaries, lawyers, gaming centers, and dealers in precious stones and metals

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO ***Other mechanism:*** YES
With other governments/jurisdictions: YES

San Marino is a member of the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and Financing Terrorism (MONEYVAL), a FATF-style regional body. Its most recent mutual evaluation can be found at:

http://www.coe.int/t/dghl/monitoring/moneyval/Countries/San%20Marino_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

San Marino has continued to make improvements to its AML/CFT regime. San Marino has signed memorandums of understanding with a number of countries, including the United States. It also has signed tax information exchange agreements or double taxation agreements with 39 countries, including all major EU member states.

During 2013, there was a major Italian investigation of a tax evasion and money laundering ring involving a San Marino investment group that facilitated the smuggling of money into the country and then invested it in low-tax jurisdictions such as Panama, Luxembourg, and the U.S. state of Delaware.

San Marino should become a party to the UN Convention against Corruption.

Sao Tome & Principe

Sao Tome and Principe (STP) is not a regional financial center and has an extremely small banking sector. The economy is almost entirely cash-based, though limited automated teller machine service was introduced in 2011. There is no evidence that significant money laundering/illicit finance activity linked to the drug trade, contraband smuggling, or terrorism occurs in STP.

The FATF removed STP from its Public Statement in October 2013. The FATF noted that, despite STP's recent progress, its AML/CFT framework still contains a number of strategic deficiencies. The FATF also noted the small size of STP's financial sector and its low impact on the international financial system as reasons for removing STP from the Statement.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach

Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: **Foreign:** YES **Domestic:** YES
KYC covered entities: Central Bank, commercial banks, and the Public Ministry

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 6 in 2013

Number of CTRs received and time frame: Not applicable

STR covered entities: Central Bank, commercial banks, the Public Ministry, insurance companies, casinos, and real estate companies

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 4 in 2013

Convictions: 0 in 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO ***Other mechanism:*** NO

With other governments/jurisdictions: YES

STP is a member of the Inter Governmental Action Group against Money Laundering in West Africa (GIABA), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.giaba.org/reports/mutual-evaluation/Sao%20Tome%20and%20Principe.html>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Sao Tome and Principe's AML/CFT regime does not meet international standards, and its regulatory and supervisory regime is generally lacking in capacity as well as coverage. STP is vulnerable to potential money laundering and terrorism financing activities given its weak regulation of financial institutions, absence of a cross-border currency declaration/disclosure system, and lack of effective, proportionate, and dissuasive sanctions against those who do not comply with national AML/CFT requirements. The Government of STP is working to address these and other deficiencies.

On August 15, 2013, STP enacted an amended AML/CFT law (Lei No. 8/13). The law came into force 15 days later and should improve STP's compliance with international standards. It includes a clear description of the crimes of money laundering and terrorism financing, provides for international cooperation, specifies the persons and entities that can be held criminally responsible, describes the sanctions that can be imposed and the assets that can be confiscated in connection with criminal activities, and sets forth STP's regulatory structure going forward. A central agency, the Financial Information Unit, is designated as the central agency with responsibility for investigating suspect transactions.

The effectiveness of the new AML/CFT law remains to be seen, and full implementation of new legal and regulatory requirements will be a challenge given the country's scarce resources and low capacity within the government, national security forces, and the judiciary. Implementation is dependent on the country's political will and fiscal situation. STP depends on donors for roughly 93 percent of its budget.

Sao Tome and Príncipe should continue to work to address the remaining deficiencies in its AML/CFT regime, including by establishing and implementing a framework to freeze terrorist assets in accordance with UNSCRs 1267 and 1373, ensuring the criminalization of all appropriate predicate crimes to money laundering, and establishing a cross-border currency declaration system.

Saudi Arabia

The Kingdom of Saudi Arabia is a growing financial center in the Gulf Region. There is no indication of significant narcotics-related money laundering, though Saudi authorities have noted a rise in narcotics trafficking in the past few years. Bulk cash smuggling from individual donors and Saudi-based charities has reportedly been a major source of financing to extremist and terrorist groups over the past 25 years. With the advent of tighter bank regulations, funds are reportedly collected and illicitly transferred in cash, often via pilgrims performing Hajj and Umrah. Despite serious and effective efforts to counter the funding of terrorism originating from within its borders, entities in Saudi Arabia likely continue to serve as sources of cash flowing to Sunni-based extremist groups. Some Saudi officials acknowledge difficulty in following the money trail with regard to illicit finance due to the preference for cash transactions in the country and the regulatory challenge posed by hawalas. Recent turmoil in Syria and the expanding usage of social media have allowed charities outside of Saudi Arabia with ties to extremists to solicit donations from Saudi donors, a trend that is proving difficult to stop.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: **Foreign:** YES **Domestic:** YES

KYC covered entities: Banks, money exchangers, real estate agents, dealers in precious metals and stones, lawyers, and accountants

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 1,640: January 1 – August 31, 2013

Number of CTRs received and time frame: Not available

STR covered entities: Banks, insurance companies, exchange companies and institutions, investment and insurance companies, commercial companies, sole proprietorships, and vocational activities

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 300 in 2012

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** NO **Other mechanism:** YES

With other governments/jurisdictions: YES

The Kingdom of Saudi Arabia is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.fatf-gafi.org/dataoecd/47/59/45727237.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Money service businesses operating outside of banks and licensed money changers are illegal in Saudi Arabia. To help counteract the appeal of these types of unlicensed money services, particularly to many of the approximately eight million expatriates living in Saudi Arabia, Saudi banks have taken the initiative to create fast, efficient, high-quality, and cost-effective fund-transfer systems that have proven capable of attracting customers accustomed to using other, non-sanctioned methods.

Saudi Arabia's Council of Senior Scholars (the Kingdom's highest judicial body and equivalent to the U.S. Supreme Court) issued an edict (fatwa) declaring that financing terrorism, knowingly or unknowingly, was illegal and punishable under Islamic law. Separately, in late 2013, Saudi Arabia ratified a new antiterrorism law that criminalizes any act "which includes raising money, offering, taking, allocating, transporting, transferring it – or its revenues – in whole or in part, for any individual or group terrorist activity."

Sweeping counterterrorism operations have demonstrated Saudi Arabia's effectiveness at disrupting financing within the Kingdom. Contributions to charities are subject to strict guidelines, including that they must be in Saudi riyals, adhere to enhanced identification requirements, and be made only by checks payable to the first beneficiary, which then must be deposited in a Saudi bank. Regulations also forbid charities from using automated teller machines and credit cards for charitable purposes, from making cash contributions, and from making money transfers outside of Saudi Arabia. Nonetheless, scores of small, online charities based outside of the Kingdom are establishing a presence in the Kingdom via social media sites and have successfully solicited donations from within Saudi Arabia for both licit and illicit causes tied to Syria and other regional crises. While such activity is challenging to stop, the Saudi government needs to improve cooperation with neighboring jurisdictions to close down extremist charities and should continue educating Saudi citizens of the risks of donating to unproven charities.

Saudi Arabia's capacity to monitor compliance with and enforce its banking rules has improved and helped to stem the flow of illicit funds through Saudi financial institutions. The Saudis' ability to stop bulk cash smuggling has also improved; however, cash illicitly collected and

transferred via pilgrims on Hajj or Umrah continues to flow. The government does not regularly publish all official criminal statistics. The Saudi government should continue to ensure all institutions maintain consistent and strong compliance regimes.

Saudi Arabia ratified the UN Convention against Corruption on April 29, 2013.

Senegal

A regional financial center with a largely cash-based economy, Senegal has proven vulnerable to money laundering. Various reports, as well as Senegalese officials, indicate Senegal is vulnerable to the activities of internet fraud, organized crime, drug trafficking, bank and deposit fraud, document forgery, and ponzi schemes. Foreign traffickers, particularly from Latin America, continue to use Senegal as a hub to export drugs to Europe and other destinations. Inadequate enforcement of relevant laws creates a permissive environment for criminals seeking to launder money.

Reportedly, most domestically generated laundered funds derive from corruption and embezzlement. Corruption in government and commerce remains an important concern. Also of concern are organized crime figures who launder and invest in Senegal their personal and their organizations' proceeds from the West African narcotics trade. Many stolen U.S. and European vehicles are routed to West Africa. The increasing numbers of used imported vehicles suggest the existence of both trade-based money laundering (TBML) and regional stolen car networks.

TBML is centered in the region of Touba, a largely autonomous and unregulated free trade zone under the jurisdiction of the Mouride religious authority. Other areas of concern include the transportation of cash, gold, and gems through Senegal's airport, port, and across its porous borders. The widespread use of cash, cambis, and new payment methods also presents money laundering vulnerabilities. Mobile wallets cater to the needs of the Senegalese unbanked, which make up the vast majority of the population, but are not always subject to AML/CFT controls, something that competent authorities have identified as a vulnerability of particular concern.

Dakar's once active real estate market was largely financed by cash and enabled by an opaque ownership and property transfer system, and the construction industry was a popular vehicle for laundering illicit funds. Recently, the housing market has stalled because the government's good governance policies made it considerably more difficult to embezzle and because, during the global economic crisis, funding through remittances also dropped. The housing market is heavily scrutinized now since, historically, it has been such a source of laundering activity.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: List approach
Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: NO

KYC covered entities: Banks; money exchanges; postal services; lawyers; securities and insurance brokers; auditors; real estate agents; dealers of high-value goods, art objects, and precious stones and metals; transporters of funds; casinos and gaming establishments, including state lotteries; travel agencies; nongovernmental organizations (NGOs); and the Public Treasury

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 105: January 1 - October 31, 2013

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks; money exchanges; postal services; lawyers; securities and insurance brokers; auditors; real estate agents; dealers of high-value goods, art objects, and precious stones and metals; transporters of funds; casinos and gaming establishments, including state lotteries; travel agencies; NGOs; and the Public Treasury

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: 2: January 1 - October 31, 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** NO **Other mechanism:** YES

With other governments/jurisdictions: YES

Senegal is a member of the Inter Governmental Action Group against Money Laundering in West Africa (GIABA), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.giaba.org/reports/mutual-evaluation/Senegal.html>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Senegal continues to take steps to prevent financial crimes. These include the establishment of the National Office for the Fight Against Fraud and Corruption; the reactivation of the Court of Repression of Illicit Enrichment; widening the scope of the State Inspector General to include the Office of the Presidency and the National Assembly; the development and adoption of a legal framework for transparency in public finance, through the Transparency Code; and the development of a national strategy to fight money laundering and the financing of terrorism. The CENTIF, the financial intelligence unit, actively hosts and coordinates training for competent authorities within Senegal and throughout the sub-region. Further, the Central Bank of West African States (BCEAO) is reviewing its regional laws pertaining to AML/CFT. While the aggregate numbers are still small, suspicious transaction

reports (STRs) doubled between 2012 and 2013. By October 31, 2013, 1,051 stakeholders had been trained on AML/CFT requirements through computer-based training.

While law enforcement investigations are fairly robust, the weakness now is getting them through the court system. Senegal's conviction numbers are not increasing relative to the number of STRs and, while compliance and information sharing seems to be increasing, prosecutions remain weak. Given the low volume of such cases, judges hearing these cases may not have the relevant expertise in complex domestic and international financial crimes. This capacity gap hampers implementation of relatively strong laws. Senegal also suffers from high turnover in some of the agencies working on AML/CFT matters, which further dilutes its enforcement and implementation capacity. The CENTIF, law enforcement, and Ministry of Justice authorities should work together to coordinate roles and responsibilities with regard to case investigation, and with the BCEAO to develop a deeper interagency understanding of money laundering and terrorist financing. The CENTIF has been working to achieve this goal regarding terrorist financing. The BCEAO, through the Banking Commission, is responsible for regional banking compliance and needs to improve the accountability mechanism to ensure all banks in the sub-region become fully compliant.

The government should continue to work to bring its AML/CFT regime into full compliance with international standards. Senegal should continue to battle corruption and increase the frequency, transparency, and effectiveness of financial reviews and audits of financial institutions. The government should establish better uniform control of the cross-border flow of currency and other bearer negotiable instruments for both residents and nonresidents.

Serbia

Serbia is not considered a regional financial center; however, Serbia is situated on a major trade corridor known as the Balkan route, and commonly confronts narcotics trafficking; smuggling of persons, weapons, and pirated goods; stolen vehicles; and other criminal activities. While the bulk of narcotics seizures are of heroin, it has become apparent over the last few years that trafficking of cocaine, originating in South America, to Western European countries by Serbian organized criminal groups, or organized criminal groups which include Serbian citizens, is on the rise. Serbia has a black market for smuggled goods. Illegal proceeds are generated from drug trafficking, corruption, tax evasion, and organized crime, as well as other types of crimes. Proceeds from illegal activities are invested in real estate and, increasingly, into sports, particularly football (soccer) club operations. Cyprus, Macedonia, Hungary, Switzerland, Austria, Netherlands, and China increasingly are destinations for laundered funds. Trade and service-based transactions, in the form of over- and under-invoicing, are commonly used for laundering money. Purchases of some private and state-owned companies have been linked to money laundering activities. According to the Council of Europe, money laundering costs the Serbian economy between three and five percent of its GDP every year.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

Money Laundering and Financial Crimes

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: **criminally:** YES **civilly:** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* NO

KYC covered entities: Banks; licensed money exchanges and remitters; investment and pension fund management companies; financial leasing providers; insurance companies, brokers, agents, and life insurance businesses; persons dealing with postal communications; broker-dealer companies; casinos and organizers of games of chance; auditors; real estate intermediaries; accountants; tax advisers; intermediaries in credit, lending, factoring, and forfeiting; guarantors; and lawyers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 811 in 2012

Number of CTRs received and time frame: 266,436 in 2012

STR covered entities: Banks; licensed money exchanges and remitters; investment and pension fund management companies; financial leasing providers; insurance companies, brokers, agents, and life insurance businesses; persons dealing with postal communications; broker-dealer companies; casinos and organizers of games of chance; auditors; real estate intermediaries; accountants; tax advisers; intermediaries in credit, lending, factoring, and forfeiting; guarantors; and lawyers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 4 in 2012

Convictions: 15 in 2012

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* NO *Other mechanism:* YES

With other governments/jurisdictions: YES

Serbia is a member of the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body. Its most recent mutual evaluation can be found at:

http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Serbia_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Serbia has taken a number of steps to improve its AML/CFT regime in recent years. Serbia plans to introduce provisions on domestic politically exposed persons

(PEPs) through amendments to the current AML/CFT Law, which are under preparation and expected to be adopted in 2014.

Serbia has no law that establishes procedures for administrative freezing of assets. The Administration for Prevention of Money Laundering, Serbia's financial intelligence unit (FIU), has prepared a draft Law on Restrictive Measures to authorize use of this procedure.

Serbia should continue to pursue measures to improve supervision of securities firms, money service businesses, gaming and betting shops, and designated non-financial businesses and professions, and to provide these institutions with sufficient guidance to ensure they understand and are able to comply with their responsibilities under the law. The National Bank of Serbia and other supervisory bodies, as well as investigative agencies, the FIU, prosecutors, and judges require additional resources, in particular for building their professional capabilities. Law enforcement and prosecutors also need to make increased use of criminal money laundering charges. Serbia should establish procedures for the administrative freezing of assets.

Seychelles

Seychelles is not a major financial center. The Seychellois authorities consider drug trafficking, parallel market operations, theft, and fraud to be the major sources of illegal proceeds. Corruption is also a problem. Seychelles has been negatively affected by piracy off the coast of Somalia.

Seychelles is a consumer country for narcotics. To diversify its economy beyond tourism and fisheries, and to increase foreign exchange earnings, the Government of Seychelles developed an offshore financial sector. Seychelles actively markets itself as an offshore financial and business center that allows the registration of nonresident business companies. The government is aware these activities may increase the risk of money laundering. In its 2007 - 2017 strategic plan, the Government of Seychelles proposes to facilitate the further development of the financial services sector through active promotion of Seychelles as an offshore jurisdiction, with emphasis on international business companies (IBCs), mutual funds, special license companies, insurance companies, and private foundations. The Seychelles International Business Authority (SIBA), which regulates the offshore financial sector, provides training in such areas as company and trust administration, international tax planning, compliance, and AML. It is estimated more than 100,000 IBCs are currently registered with SIBA. SIBA is obligated to report suspicious transactions to the financial intelligence unit (FIU).

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

Money Laundering and Financial Crimes

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** NO
KYC covered entities: Banks, offshore banks, credit unions, insurance companies, trust and company service providers, casinos, real estate agents, money exchangers, notaries, lawyers, accountants, auditors, and dealers in precious metals and stones

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 86: January 1 - November 12, 2013

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks, offshore banks, credit unions, insurance companies, trust and company service providers, casinos, real estate agents, money exchangers, notaries, lawyers, accountants, auditors, and dealers in precious metals and stones

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 1: January 1 - November 12, 2013

Convictions: 1: January 1 - November 12, 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO ***Other mechanism:*** YES

With other governments/jurisdictions: YES

Seychelles is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a FATF-style regional body. Its most recent mutual evaluation report can be found at: http://www.esaamlg.org/reports/view_me.php?id=189

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

As of August 2013, all money and value transfer service providers in Seychelles are required to notify the FIU on a weekly basis of all outbound international transfers valued between Seychelles rupees 10,000 and 50,000 (approximately \$830 and \$4,150). Between January 1 and November 12, 2013, 1,254 such reports were received. Similar transactions of more than rupees 50,000 (approximately \$4,150) are reported by the central bank. Also in August 2013, Seychelles' Securities Exchange was launched in order to further diversify Seychelles' product offerings in the financial sector and to position Seychelles as a hub for financial services in the region.

In July 2013, Seychelles' FIU was admitted to the Egmont Group of FIUs.

The Government of Seychelles should continue to improve the implementation of its AML/CFT framework, including its analysis of suspicious transaction reports (STRs) and financial crimes investigations and prosecutions. Seychelles should prohibit bearer shares, anonymous accounts, and accounts in fictitious names, and clarify its law regarding the complete identification of

beneficial owners. Additionally, it should mandate enhanced due diligence procedures when appropriate, and in this regard consider extending its definition of politically exposed persons (PEPs) to persons holding prominent public positions in Seychelles itself. The government also should amend its AML laws to state explicitly that all offshore activity is regulated in the same manner and to the same degree as onshore activity, and should actively enforce its financial services regulations. Authorities should codify Seychelles' ability to freeze terrorist assets without delay rather than continuing to rely on the issuance of restraining orders. The Government of Seychelles should criminalize terrorism financing in accordance with international standards.

Sierra Leone

Sierra Leone is not a regional financial center. Loose oversight of financial institutions, weak regulations, a large seaport, pervasive corruption, and porous borders are conducive to money laundering. Sierra Leone is an attractive trans-sea shipment point for illegal drugs and other forms of illegal commerce. Smuggling of pharmaceuticals, foodstuffs, gold, and diamonds occurs across porous ground borders. To date, there is little evidence drug smuggling is a significant source of laundered money. Where money laundering occurs, it is most often in the small-scale artisanal diamond mining industry by domestic groups and individuals rather than by transnational cartels. The trade in stolen automobiles, many originating in the United States, continues to be a concern. Most financial transactions, including currency exchanges and remittances, are informal and vulnerable to money laundering. There is no indication money laundering activity in Sierra Leone is tied to terrorism financing.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** NO ***Domestic:*** NO
KYC covered entities: Banks; financial leasing firms; money and currency exchanges; credit card, traveler's check, and other financial instrument dealers; investment companies; insurance, merchant, and investment banks; and securities and commodities dealers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 10: May - October 2013
Number of CTRs received and time frame: 64,457: May - October 2013

Money Laundering and Financial Crimes

STR covered entities: Banks; financial leasing firms; money and currency exchanges; credit card, traveler's check, and other financial instrument dealers; investment companies; insurance, merchant, and investment banks; and securities and commodities dealers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 3: May - October 2013

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** NO **Other mechanism:** YES

With other governments/jurisdictions: YES

Sierra Leone is a member of the Inter Governmental Action Group against Money Laundering in West Africa (GIABA), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.giaba.org/reports/mutual-evaluation/Sierra%20Leone.html>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In 2012, Sierra Leone's Parliament enacted the Anti-Money Laundering and Combating of Financing of Terrorism Act (AMLCFTA). According to authorities in Sierra Leone, Section 16 (1) of the AMLCFTA criminalizes the financing of terrorism; obligated entities are required to report the financing of terrorism. The AMLCFTA provides a basic legal framework for countering illicit finance in Sierra Leone, but full implementation remains a challenge because of the government's limited resources. The Government of Sierra Leone has made progress, but needs to take further action to ensure its AML/CFT regime complies with international standards and is effectively implemented.

As part of its ongoing implementation efforts, in 2013 the Government of Sierra Leone published in the national gazette a Regulation on Terrorism Prevention (Freezing of International Terrorists' Funds and other Related Measures), which was before parliament at the end of 2013. Additionally, in order to begin putting in place the building blocks of an effective supervisory framework, the country's financial intelligence unit (FIU), in consultation with the Bank of Sierra Leone, issued the Revised Guidelines for Financial Institutions on the Prevention of Money Laundering and Terrorist Financing, as well as AML/CFT Guidelines for Designated Non-Financial Businesses and Professions.

There is a low rate of compliance throughout the financial sector, particularly among the recently-licensed commercial banks headquartered in Nigeria. The Bank of Sierra Leone is seeking to improve its ability to use financial intelligence to identify and monitor politically exposed persons (PEPs) and other "sensitive" people and to assist in determining suspicious transactions. In July 2013, the Parliament of Sierra Leone approved funding for the FIU, which then secured premises for its operations and began to recruit additional staff members. Those new staff members, once trained, are likely to augment significantly the FIU's ability to carry out its core functions. The FIU attempts to be proactive in its efforts to ensure financial institutions are in compliance with AML/CFT laws. The FIU has the ability to impose fines, suspensions, and other actions when financial institutions are not compliant. It also has the authority to

disclose any report to an institution or agency of a foreign state or an international organization, if relevant to investigating or prosecuting a money laundering or terrorism financing offense.

Inadequate resources and lack of training hamper law enforcement efforts in all arenas, including prosecutions. The Transnational Organized Crime Unit is authorized to undertake complete investigations and effect arrests, but general policing capacity and understanding of the use of financial investigations and intelligence are low. The Sierra Leone Police, National Revenue Authority, and Anti-Corruption Commission have very limited abilities to investigate money laundering crimes. The Attorney General's Office has limited investigative and arrest powers.

The lack of expertise impedes the investigation of possible abuses related to informal finance, such as hawala networks, and possible ties between money laundering in Sierra Leone and Lebanese traders. Corruption is a related concern.

Sierra Leone should continue to work toward full and consistent implementation of the AMLCFTA. It should bolster its efforts to counter smuggling, tighten border controls, and adequately supervise those sectors most vulnerable to money laundering. It should fully operationalize its FIU; provide training for newly recruited FIU staff; institute effective supervision of both designated non-financial businesses and professions and non-profit organizations; work to ensure foreign exchange dealers implement customer due diligence measures and comply with record-keeping requirements; criminalize the financing of terrorism for any purpose, i.e., regardless of a link to the planning or commission of a terrorist act; and establish procedures and mechanisms to implement UNSCRs 1267 and 1373. Sierra Leone should ratify the UN Convention against Transnational Organized Crime.

Singapore

Singapore is a major international financial and investment center as well as a major offshore financial center. Secrecy protections, a lack of routine large currency reporting requirements, and the size and growth of Singapore's private banking and asset management sectors pose significant risks and make the jurisdiction a potentially attractive money laundering/terrorism financing destination for drug traffickers, transnational criminals, foreign corrupt officials, terrorist organizations, and their supporters. Authorities have taken action against Jemaah Islamiyah and its members and have identified and frozen terrorist assets held in Singapore. Terrorism financing in general remains a risk.

As of November 1, 2013, there were 37 offshore banks in operation, all foreign-owned. Singapore is a center for offshore private banking and asset management. Assets under management in Singapore total approximately SGD\$1.63 trillion (approximately \$1.30 trillion). As of December 2012, Singapore had at least \$1.04 trillion in foreign funds under management. Singapore does not permit shell banks or anonymous accounts.

There are two casinos in Singapore with estimated combined annual revenue of \$4.17 billion. Online gaming is illegal. Casinos are regulated by the Casino Regulatory Authority. Given the scale of the financial flows associated with the casinos, there are concerns that casinos could be targeted for money laundering purposes.

Singapore has eight free trade zones (FTZs) which may be used for storage, repackaging of import and export cargo, assembly, and other manufacturing activities approved by the Director General of Customs in conjunction with the Ministry of Finance.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: List approach

Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES

KYC covered entities: Banks, financial institutions, finance companies, merchant banks, life insurers, brokers, securities dealers, investment advisors, futures brokers and advisors, trust companies, approved trustees, and money changers and remitters

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 13,557 in 2011

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks, auditors, financial advisors, capital market service licensees and exempt persons, finance companies, lawyers, notaries, merchant banks, life insurers, trust companies, approved trustees, real estate agents, and money changers and remitters

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 27 in 2012

Convictions: 28 in 2012

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO *Other mechanism:* YES

With other governments/jurisdictions: YES

Singapore is a member of the FATF and the Asia/Pacific Group on Money Laundering, a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.fatf-gafi.org/media/fatf/documents/reports/mer/FoR%20Singapore.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Singapore has a comprehensive STR regime and applies AML/CFT requirements to a broad range of entities. While banks and other institutions are required to report suspicious transactions, currently there is no requirement for mandatory reporting of all currency transactions above a certain threshold amount, which limits the ability to track significant financial movements. Singapore should consider the adoption of such reporting.

Singapore's legal system generally provides for the investigation and prosecution of money laundering offenses. However, the implementation of these laws is uneven, particularly in prosecuting money laundering as a stand-alone offense and investigating foreign-sourced cases. Singaporean police are fairly successful at identifying domestic predicate offenses, and include ancillary money laundering charges as appropriate.

Singapore's large, stable, and sophisticated financial center may be attractive as a conduit for laundering proceeds generated by foreign criminal activities, including official corruption. The Suspicious Transaction Reporting Office and criminal investigators are encouraged to identify money laundering that originates from foreign predicate offenses and use stand-alone money laundering charges to prosecute foreign offenders in Singapore.

Slovak Republic

The Slovak Republic (Slovakia) is a transit and destination country for counterfeit and smuggled goods, auto theft, value-added tax fraud, and trafficking in persons, weapons, and illegal drugs. Criminal activity is characterized by a high level of domestic and foreign organized crime, mainly originating from eastern and southeastern Europe. Many of these same groups are involved in laundering funds raised from these criminal activities. Trade-based money laundering and possible terrorist financing also occur in Slovakia. There are no indications that significant funds generated by public corruption are being laundered or used to finance terrorist activities. Slovakia has no offshore or free trade zones. Slovak authorities see the transfer of undeclared cash across borders as a possible money laundering vulnerability. Alternative remittance systems are not known to be widely used in Slovakia.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** NO

KYC covered entities: Banks, the Export-Import Bank of the Slovak Republic, credit institutions, insurance companies, pension asset management companies, foreign currency exchanges, gaming operators, bankruptcy administrators, accountants, tax advisors, real estate agents, postal operators, real estate intermediaries, foundations, non-profit organizations (NPOs), non-investment funds, and other special corporations managing and distributing funds

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 3,600 in 2012

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks, the Export-Import Bank of the Slovak Republic, credit institutions, insurance companies, pension asset management companies, foreign currency exchanges, gaming operators, bankruptcy administrators, accountants, tax advisors, real estate agents, postal operators, real estate intermediaries, foundations, NPOs, non-investment funds, and other special corporations managing and distributing funds

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 15 in 2012

Convictions: 8 in 2012

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO **Other mechanism:** YES

With other governments/jurisdictions: YES

The Slovak Republic is a member of the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body. Its most recent mutual evaluation can be found at: www.coe.int/t/dghl/monitoring/moneyval/Countries/Slovakia_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The law enacting “Quasi Criminal Liability of Corporations” allows for confiscation of property and monies from corporations for actions taken by employees. Slovak courts have never executed the law, and legal pundits suggest the law is written in a fashion that is too difficult to implement, perhaps intentionally. In October 2013, the Minister of Justice announced that the Ministry of Justice will draft a new law to enhance corporate criminal liability in Slovakia; as of the end of 2013, the draft had not been completed.

While Slovakia does not have formal asset sharing arrangements in place, Slovak legislation provides for the opportunity to “consider bilateral agreements and measures to share such property with other parties.” At present, no one has yet implemented this provision.

Slovenia

Slovenia is not a major drug producer, but is a transit country for drugs moving via the Balkan route to Western Europe. The Government of Slovenia is aware that Slovenia’s geographic

position makes it an attractive potential transit country for drug smugglers, and it continues to pursue active counter-narcotics policies. Other predicate offenses of concern for money laundering include business and tax fraud.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, agricultural credit institutions, lawyers, money changers, notaries, gaming centers, and securities dealers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 595 in 2013

Number of CTRs received and time frame: 17,151 in 2013

STR covered entities: Banks, agricultural credit institutions, lawyers, money changers, notaries, gaming centers, and securities dealers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 69: January 1 - July 1, 2013

Convictions: 13: January 1 - July 1, 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO ***Other mechanism:*** YES

With other governments/jurisdictions: YES

Slovenia is a member of the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body. Its most recent mutual evaluation can be found at:

http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Slovenia_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

There are no major deficiencies in Slovenia's key AML/CFT preventive standards. Weak supervision and lack of guidance to certain non-banking sectors could have an impact on the effectiveness of the AML/CFT regime.

The Office of Money Laundering Prevention, the financial intelligence unit, has a right to stop a suspicious transaction for 72 hours. In that time period, the courts investigate the transaction and decide on its legitimacy. In 2013, this happened in 14 cases. If the courts also find the transaction suspicious, they can temporarily block funds for three months. In the first half of 2013, this happened in nine cases.

Law enforcement can only confiscate funds or seize assets related to money laundering under criminal law. During the first half of 2013, Slovenian authorities temporarily seized assets equaling approximately 21 million euros (approximately \$28.5 million).

Solomon Islands

Solomon Islands is not considered a major financial center. It has a relatively stable banking system closely integrated with the financial systems of Australia and New Zealand. In general, the risk of money laundering and terrorism financing in the Solomon Islands is very low given the country's isolated geographic location and very small community, which precludes anonymity. Corruption continues to be the main source of illegal proceeds. Smuggling, environmental crimes, and the proliferation of counterfeit goods also are problems in the country. A risk assessment conducted by the Solomon Islands Financial Intelligence Unit (SIFIU) found that money laundering is often associated with fraud, illegal logging and fishing, and robbery. Foreign destinations for the laundered proceeds include China, Australia, Malaysia, and Singapore. The SIFIU suspects Asian logging vessels (particularly Malaysian) bring counterfeit currency into the Solomon Islands to finance forestry operations. Customs fraud and tax evasion are also common.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/i/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: criminally: YES civilly: NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: **Foreign:** YES **Domestic:** YES

KYC covered entities: Banks, credit institutions, credit unions, insurance and securities companies, casinos, and bullion dealers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 49 in 2012

Number of CTRs received and time frame: 22,707 in 2012

STR covered entities: Banks, credit institutions, bullion dealers, credit unions, casinos, and insurance companies and intermediaries

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 1 in 2012

Convictions: 2 in 2012

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO **Other mechanism:** YES

With other governments/jurisdictions: YES

Solomon Islands is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at:

<http://www.apgml.org/documents/search-results.aspx?keywords=Solomon+Islands>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of the Solomon Islands has enacted several key reforms to strengthen its AML/CFT regime and has taken steps to combat corruption, including the formation of an anti-corruption task force. Yet high level corruption remains a serious problem in the Solomon Islands and one that constitutes a high priority for the government.

The SIFIU lacks capacity and continues to be understaffed, and the Royal Solomon Islands Police Force does not have the expertise and personnel to investigate and prosecute money laundering and terrorism financing cases. There has been only one successful conviction for money laundering, and no incidents of terrorism financing. The government also lacks the ability to freeze terrorist assets in accordance with UNSCRs 1267 and 1373.

The Solomon Islands should continue to develop its AML/CFT programs and procedures. The government should develop and implement a comprehensive system for the declaration or disclosure of the cross-border transportation of cash. Currently, a declarations system is in place only for passengers traveling by air. This system should be extended to passengers traveling by sea, and applied to postal cargo as well. The Solomon Islands should become a party to the UN Convention against Transnational Organized Crime and the 1988 UN Drug Convention.

Somalia

In 2013, with the support of the international community and regional governments, the Federal Government of Somalia made notable progress toward maintaining physical security gains, reducing piracy, improving health and food security, improving governance, and pursuing regional reconciliation. In September 2013, Somalia and the international community endorsed a New Deal Compact for Somalia that outlines peace- and state-building goals aimed at helping Somalia become more accountable to the people of Somalia and institute political, financial, health, and security reforms. The Ministry of Finance completed a Public Financial

Management Self-Assessment and Reform Plan in March 2013, which outlines the weaknesses of the current system and reforms needed to build more transparent institutions.

Somalia's financial system is generally informal, operating almost completely outside of government oversight, either via the black market or unsupervised remitters and hawaladars. A 2013 Oxfam study pegged remittances at roughly \$1.3 billion per year, mostly sent by Somali workers overseas to their relatives in the Horn, and mostly through financial centers in the Gulf.

With its long land borders and extensive coastline, the smuggling of currency and goods into and out of Somalia is a common occurrence, partly because customs officials lack the capacity to control points of entry. Piracy ransoms are generally spent and/or laundered in northern Somalia, but may also be laundered in neighboring countries, the Middle East, or Europe. Ransoms are reportedly delivered through cash drops to pirates holding ships off Somalia's coast and divided among the pirates themselves, their support networks on shore, and possibly, national or international sponsors. Much of the ransom generally remains in cash. Anecdotal reports suggest that ransoms, sometimes comingled with funds of legitimate origin, may be invested in real estate, luxury goods, and businesses.

While Somalia has taken important steps to improve transparency in its public financial management, including by implementing an automated Public Financial Management system and conducting audits of government revenues and expenditures, public corruption remains endemic and provides opportunities for money laundering. For example, some government officials in Somalia's northern regions of Puntland and Galmudug reportedly benefited from pirate ransoms, and possibly, helped to facilitate ransom laundering or the transfer of ransom money to foreign destinations.

Al-Shabaab continues to constitute the most significant terrorist threat to Somalia and the region. It raises funds through multiple sources, including donations from Somali and non-Somali sympathizers both inside Somalia and abroad, "taxation" and/or extortion of local businesses and private citizens, kidnapping for ransom, and exploitation of the illicit charcoal trade in southern Somalia. Despite the existing UN ban on the export of charcoal from Somalia, there is evidence to indicate al-Shabaab continues to profit from illegal charcoal exports that may be worth more than \$360 million a year on the international market. Al-Shabaab moves some of its funds via cash couriers, but a significant portion reportedly passes through hawaladars and other money or value transfer services. There also have been occasional reports of al-Shabaab extorting payments from pirates operating off the coast of territory it controls.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: Not applicable
Are legal persons covered: *criminally:* Not applicable *civilly:* Not applicable

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* NO *Domestic:* NO
KYC covered entities: None

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not applicable
Number of CTRs received and time frame: Not applicable
STR covered entities: None

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0
Convictions: 0

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO *Other mechanism:* NO
With other governments/jurisdictions: NO

Somalia is not a member of any FATF-style regional body (FSRB).

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Somalia is still attempting to stabilize itself, and the government struggles with weak or non-functional state institutions.

With assistance from the international community, Somalia has begun to identify priority areas for new legislation to develop institutional capacity and create regulatory bodies. As of the end of 2013, however, there are no existing AML/CFT laws, and Somalia maintains very limited investigative and enforcement capacity related to predicate crimes. Somalia’s penal code, based on the 1930 Italian penal code, needs extensive revisions. The code does not include any provisions or penalties addressing money laundering or terrorist financing. The key obstacles to enacting AML/CFT laws include the federal government’s limited control over parts of southern and central Somalia beyond Mogadishu; a lack of legal and financial expertise necessary to draft substantive laws; pressing security threats to the government, including from the continuing al-Shabaab insurgency; a lack of capacity at all levels of government; and insufficient enforcement, policing, and investigative capacity.

Somalia lacks a formal financial sector, with the exception of one commercial bank operating in Harguesa. There are no functioning government regulatory/supervisory agencies to oversee the Somali financial sector. Consequently, established money transmitters and hawaladars in Somalia are not subject to any customer due diligence or suspicious transaction reporting requirements, and would in any event have no credible governmental authority to which to provide AML/CFT-relevant information. Somalia imposes no financial record-keeping

requirements; to the extent the international standards are applied in Somalia, they are self-imposed by money transmitters, hawaladars, and other businesses that must abide by those standards in order to do business elsewhere in the world. Most money remittance companies, for example, use electronic AML/CFT filter systems which flag possible matches between customers and the individuals and entities on the UN 1267 Sanctions Committee's consolidated list. In May, Barclay's Bank in the UK announced it would close the accounts of Somali money transmitters. That decision, although primarily commercial in nature, highlights the risks posed by Somalia's failure to institute an AML/CFT regime.

The legal system in Somalia consists of traditional courts ("xeer"), as well as a variety of local and regional court systems. A legal system with both civilian and military courts operates under the federal government, but existing laws are difficult to enforce, given the weak capacity of judicial and law enforcement institutions and general instability.

In theory, the Ministry of Finance and Planning (MFP) will reportedly be responsible for investigating financial crimes. That ministry lacks the capacity, including financial, technical, and human resources, to investigate suspected money laundering and/or terrorism financing. No government entity is charged with, or capable of, tracking, seizing, or freezing either the proceeds of crime or terrorist assets. Somalia has no laws requiring forfeiture of the proceeds of crime or terrorist assets. The government has called on regional governments to help stem the flow of terrorism financing, including requesting local governments to trace, freeze, and seize funds believed to be related to al-Shabaab financing.

The MFP, and the wider government, struggle to combat internal corruption and the embezzlement of public funds. The July 2013 UN Somalia Eritrea Monitoring Group report claims the Somali Central Bank was used as a government "slush fund." Although Somalia hired private law and accounting firms to refute the report, the Central Bank Governor later resigned amidst allegations of corruption. In October 2013, the second Somali Central Bank Governor resigned, accusing the government of corruption. Although the government has made public declarations against corruption, it has yet to implement anti-corruption reforms. Somalia's constitution provides for the establishment of an Anti-Corruption Commission to investigate allegations of corruption in the public sector; Somalia has yet to establish that Commission.

Somalia has cooperated with foreign law enforcement on investigations concerning suspected terrorists, kidnapping, and piracy and terrorist attacks committed both inside and outside Somalia. Somalia has no mechanisms in place under which to share information related to financial crimes, money laundering, and terrorism financing with other countries, but has indicated an interest in collaboration.

Somalia should continue taking steps to combat corruption, enhance its ability to cooperate internationally, begin to draft AML/CFT-related legislation, and take all necessary steps to become a member (or observer) of an appropriate FSRB. As an urgent matter, Somalia should criminalize both money laundering and terrorism financing. The government should work toward equipping its law enforcement and judicial authorities with the resources and capacity – staffing, budget, and training – to investigate and prosecute financial crimes. Although Somalia

has significantly increased the amount of revenue it collects, it lacks the funding necessary to effectively improve government capacity and will continue to rely heavily on donor funds.

South Africa

South Africa's position as the major financial center in the region, its sophisticated banking and financial sector, and its large, cash-based market may make it a target for transnational and domestic crime syndicates. The proceeds of the narcotics trade constitute the largest source of laundered funds in the country. Fraud (advance fee scams, beneficiary maintenance fraud, and deposit refund scams), theft, racketeering, corruption, currency speculation, credit card skimming, wildlife poaching, theft of precious metals and minerals, human trafficking, stolen cars, and the smuggling of goods are also sources of laundered funds. Many criminal organizations also are involved in legitimate business operations. In addition to criminal activity by South African nationals, observers note criminal activity by Nigerian, Pakistani, Andean, and Indian drug traffickers; Chinese triads; Taiwanese groups; Bulgarian credit card skimmers; Lebanese trading syndicates; and the Russian mafia. Some foreign nationals are using South African nationals, mostly women, to help them send money obtained from illegal activities out of the country. Investment clubs, known as stokvels, have been used as cover for pyramid schemes. In some instances, nominee structures have been exploited by criminals who intend to launder illicit funds by mixing those funds with legitimate assets held on someone else's behalf. There is a significant black market for smuggled and stolen goods.

South Africa is not an offshore financial center, nor does it have free trade zones. South Africa does operate Industrial Development Zones (IDZs). Imports related to manufacturing or processing in the zones are duty free, provided the finished product is exported. IDZs are located in Port Elizabeth, East London, Richards Bay, and Johannesburg International Airport. The South African Revenue Service implements customs controls for these zones.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES

KYC covered entities: Banks, credit institutions, post office banks, foreign exchange dealers, securities traders and brokers, entities that issue traveler's checks, real estate agents, gaming institutions, gold dealers, attorneys, used car dealers, and money lenders

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 147,744: April 1, 2012 - March 31, 2013

Number of CTRs received and time frame: 6.1 million: April 1, 2012 - March 31, 2013

STR covered entities: Banks, credit institutions, post office banks, foreign exchange dealers, securities traders and brokers, entities that issue traveler's checks, real estate agents, gaming institutions, gold dealers, attorneys, used car dealers, and money lenders

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES **Other mechanism:** YES

With other governments/jurisdictions: YES

South Africa is a member of the FATF and the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.fatf-gafi.org/countries/s-t/southafrica/>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of South Africa's AML/CFT regime represents a solid legal and regulatory framework for countering illicit finance. Over the last few years, the Financial Intelligence Centre (FIC), South Africa's financial intelligence unit (FIU), has been working to enhance its effectiveness by providing investigators and prosecutors with high-quality, timely, and actionable financial intelligence. In 2013, the FIC submitted a bill to amend the FIC Act to the Ministry of Finance. The intent of the amendments is to move South Africa toward a more risk-based approach (RBA). The amendments reduce identification and verification requirements in some cases, and allow reporting institutions greater leeway to design their own methods to ensure compliance. These steps should, in turn, reduce the administrative burden for low-risk clients and promote financial inclusion.

During 2012/13, the FIC recovered R1,171 billion (approximately \$117.1 million) in cash from the proceeds of crime. The FIC's outreach efforts have resulted in the receipt of more than double the number of suspicious transaction reports (STRs) from mid-2012 to mid-2013, as compared with the previous twelve month period. The FIC also signed memoranda of understanding (MOUs) with 13 other FIUs, bringing the total number of signed MOUs to 53. South Africa provides technical assistance to other countries in the region in the areas of FIU analytical capability and asset forfeiture and confiscation.

While money laundering is a specific offense under the South African penal code, it is not often charged as a stand-alone offense. Instead, prosecutors typically include money laundering as a secondary charge in conjunction with other, predicate offenses. Accordingly, the government does not generally keep separate statistics for money laundering-related prosecutions, convictions, or forfeited assets.

South Africa's focus on the RBA is designed to target high-impact cases involving large amounts of money and greater numbers of criminals. South Africa should continue to implement its initiatives to promote financial inclusion and its application of the RBA, and enhance the effectiveness of the FIC. The government also should work to improve its law enforcement and prosecutorial capacity and ensure the relevant AML/CFT authorities generate and report statistics in line with international standards.

South Africa should continue to develop cooperation among the National Prosecuting Authority, the South African Police Service, and the FIC to increase the number of successful prosecutions. The South Africa Police Service is working with international partners to build financial investigative capacity to better assist the Asset Forfeiture Division of the Directorate of Priority Crime Investigations.

South Sudan

On July 9, 2011, the Republic of South Sudan became the world's 193rd country. On December 15, 2013, intra-governmental fighting broke out in the country, the effects of which will be evident for some time on the economy. South Sudan borders a number of jurisdictions in various states of conflict or lacking strong authorities. While the Republic of South Sudan had begun to develop prior to the outbreak of civil conflict, much remains to be accomplished in this fledgling state. The country has a cash-based economy. South Sudan has a small financial system and there is little major financial crime; however, corruption is widespread in this oil rich state. South Sudan does not yet have sufficient laws, regulations, or enforcement capacity in place to address financial crime. With no AML/CFT regime and long, porous borders, South Sudan is vulnerable to exploitation by criminals of every type, including those seeking overland routes for bulk cash smuggling and those wishing to perpetrate other forms of financial crime. Reports of money laundering by Somali nationals through foreign exchange bureaus in South Sudan are persistent, though unconfirmed.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: List approach
Are legal persons covered: ***criminally:*** YES ***civilly:*** NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** NO ***Domestic:*** NO

Money Laundering and Financial Crimes

KYC covered entities: Financial institutions; cash dealers; accountants; dealers in precious stones or metals; regulators; customs officers; attorneys, notaries, and other independent legal professionals; and real estate agents

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not applicable

STR covered entities: Financial institutions; cash dealers; accountants, real estate agents, and dealers in precious stones or metals; regulators; customs officers; attorneys, notaries, and other independent legal professionals

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2013

Convictions: 0 in 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO **Other mechanism:** NO

With other governments/jurisdictions: NO

South Sudan is not a member of a FATF-style regional body (FSRB). It has not undergone a mutual evaluation.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Although the Republic of South Sudan criminalized money laundering in March 2012, no enabling regulations or steps toward implementation have been put in place. Although the law contains suspicious transaction reporting (STRs) and KYC provisions, no such programs have been implemented. South Sudan is working to address capacity issues generally and has undertaken anti-corruption initiatives, but money laundering and terrorism financing have only recently been part of the government's agenda. Despite the criminalization of money laundering, no dedicated law enforcement mechanisms exist with sufficient capacity and will to combat financial crime in general. A segment of the South Sudanese security forces has been tentatively identified to investigate financial crimes, but lacks staff and has had little training in financial investigations and law enforcement procedures. The judiciary is significantly understaffed and continues to transition, adopting a common law system and harmonizing its legal system with customary law. There are no courts or prosecutors currently assigned to work specifically on financial crimes.

The government does maintain, in name only, the South Sudan Anti-Corruption Commission (SSACC), which is an autonomous and impartial body. Among other duties, the SSACC has a mandate to protect public property and investigate cases of corruption with a view to protecting public property and combating administrative malpractices in public institutions. SSACC has a valid mandate, but is operationally unsophisticated and unskilled.

In response to IMF encouragement, the Bank of South Sudan harmonized the official and parallel exchange rates of the South Sudanese Pound on November 11, 2013, but repealed the

decree on November 13 under pressure from the National Legislative Assembly, many of whose members reportedly benefit directly from the existence of parallel rates.

There are reportedly 26 banks and approximately 79 foreign exchange bureaus in South Sudan, but 10 of the banks are banks in name only. The Bank of South Sudan is reported to distribute \$1.3 million to each bank each week. One million dollars is allocated for withdrawal by private businesses and \$300,000 for withdrawal by citizens with children living and studying abroad. However, allegedly only \$400,000 of the allocated one million dollars actually reaches businesses, while the remaining \$600,000 is channeled into the parallel market. Similarly, only \$50,000 of the \$300,000 allocated for families with children abroad is allegedly actually disbursed; the remainder goes to the parallel market. Several of the 79 foreign exchange bureaus, which benefit from this illegal structure, are allegedly owned by South Sudanese government officials or their relatives.

The Government of South Sudan should solicit AML/CFT-related technical assistance from international donors, subject itself to a mutual evaluation, and seek membership in an FSRB.

Spain

Spain is a major European center of money laundering activities as well as an important gateway for illicit narcotics entering Europe from Central and South America and North Africa. The serious focus of Spanish law enforcement on combating organized crime, drug trafficking, and money laundering over the last few years has reduced the country's attractiveness as an entry point.

Money laundering is related to drug trafficking and organized crime, as well as corruption, tax evasion, and financial support for terrorism. Illicit proceeds continue to be invested in real estate in the once-booming coastal areas in the south and east of the country, but criminal groups also place money in other sectors, including services, communications, automobiles, art work, and the financial sector. Access in Spain to European financial institutions allows for the introduction of illicit funds into the global financial system.

Moroccan hashish and Latin American cocaine enter the country and are distributed and sold throughout Europe, with the resulting proceeds often returned to Spain. Passengers traveling from Spain to Latin America reportedly smuggle sizeable sums of bulk cash. Informal money transfer services also facilitate cash transfers between Spain and Latin America, particularly Colombia. Law enforcement authorities cite an emerging trend in drugs and drug proceeds entering Spain from new EU member states with less robust law enforcement capabilities.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN

THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: **criminally:** YES **civilly:** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: **Foreign:** YES **Domestic:** YES
KYC covered entities: Banks; mutual savings associations; credit companies; insurance companies; financial advisers; brokerage and securities firms; pension fund managers; collective investment schemes; postal services; currency exchange outlets; individuals and unofficial financial institutions exchanging or transmitting money; realty agents; dealers in precious metals, stones, antiques and art; legal advisors and lawyers; accountants; auditors; notaries; and casinos

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 2,975 in 2011
Number of CTRs received and time frame: 644,006 in 2011

STR covered entities: Banks, professional money changers, credit intermediaries, payment systems and managers, and lending firms; life insurance entities and insurance companies that provide investment services; securities and investment service companies, collective investment, pension fund, and risk capital managers; mutual guarantee companies; postal wire services; real estate brokers, agents and developers; auditors, accountants, and tax advisors; notaries and registrars of commercial and personal property; lawyers, attorneys, or other independent professionals when acting on behalf of clients in financial or real estate transactions; company formation and business agents; trustees; casinos, gaming and lottery enterprises; dealers of jewelry, precious stones and metals, art, and antiques; safekeeping or guaranty services; and foundations and associations

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** YES **Other mechanism:** YES
With other governments/jurisdictions: YES

Spain is a member of the FATF. Its most recent mutual evaluation can be found at:

<http://www.fatf-gafi.org/dataoecd/59/15/46253063.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Spain has long combated both domestic and foreign terrorist organizations, and Spanish law enforcement entities have identified various vulnerabilities, including donations to finance nonprofit organizations; establishment of publishing companies that print and distribute books or

periodicals for propaganda purposes; fraudulent tax and financial assistance collections; the establishment of “cultural associations;” and alternative remittance system transfers. Other outlets such as locutorios, communication centers that often offer wire transfer services, are used to move money in and out of Spain by making small international transfers for members of the immigrant community. Spanish regulators also note the presence of hawala networks in the Muslim community.

In April 2010, Spain enacted a law to prevent money laundering and terrorist financing. The law introduces a risk-based approach to preventing money laundering and terrorist financing and imposes stringent requirements on financial institutions as well as designated non-financial businesses and professionals. Additionally, the law greatly enhances authorities’ capacity to combat terrorist financing by strengthening penalties and monitoring and oversight. The law entered into force immediately; however, implementing regulations are not yet fully promulgated. Spain should take action to ensure such regulations are established in a timely manner.

Spanish law does not allow civil forfeiture. Carrying more than 100,000 euros (approximately \$136,650) in cash within the country is subject to disclosure. If the authorities discover an amount larger than that, they can seize and hold it until proof of legal origin is provided. Cash transactions between businesses and professionals are restricted to less than 2,500 euros (approximately \$3,415). Failure to comply with the restrictions can result in an administrative fine equivalent to 25 percent of the total value of the payment. The limit for cash transactions for non-resident individuals is 15,000 euros (approximately \$20,500), to allow for tourists’ expenditures.

A working group has been created within the Commission for the Prevention of Money Laundering to promote the collection of statistics. Spain currently does not track the total number of prosecutions and convictions for money laundering. When money laundering occurs in conjunction with a predicate offense, only the predicate offense is tracked in a central statistics database. The numbers tracked for money laundering crimes only include those cases in which the conviction was for money laundering alone, without another offense. Spain should maintain and disseminate statistics on investigations and prosecutions.

Sri Lanka

Sri Lanka is neither an important regional financial center nor a preferred center for money laundering. Nevertheless, the lack of transparent tender mechanisms in government projects, past experience with terrorism, tax evasion, and a large informal economy make the country vulnerable to money laundering and terrorism financing. Terrorism financing activity, by all accounts, has diminished significantly since the end of Sri Lanka’s civil war in 2009. Local authorities report that drug trafficking, primarily of heroin, is becoming an increasing problem.

There does not appear to be a significant black market for smuggled goods in the country. Trade-based money laundering is also reportedly negligible, although two recent criminal cases involved importers who used over-invoicing by suppliers in order to send money out of the country.

Legal remittance flows through the formal banking system have increased sharply in recent years, reaching \$6 billion in 2012. Remittances originate primarily from Sri Lanka's substantial overseas workforce (about 1.7 million workers as of 2012). According to local authorities, these funds are processed largely through the banking system, and therefore do not present serious money laundering concerns. The Sri Lankan government's Board of Investment regulates the 12 free trade zones (FTZs) in Sri Lanka. FTZs employ strict access and customs controls with no reported incidences of suspicious transactions.

In February 2013, the FATF removed Sri Lanka from its Public Statement, noting the significant progress Sri Lanka had made in improving its AML/CFT regime.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: List approach
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, registered finance companies, insurance companies, securities companies and brokers, money changers, casinos, real estate agents, dealers in precious metals and stones, lawyers, and trust or company service providers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 559 in 2012
Number of CTRs received and time frame: 3.9 million in 2012
STR covered entities: Banks, registered finance companies, insurance companies, securities companies and brokers, money changers, casinos, real estate agents, dealers in precious metals and stones, lawyers, accountants, and trust or company service providers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 4 in 2012

Convictions: 0

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO ***Other mechanism:*** YES
With other governments/jurisdictions: YES

Sri Lanka is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at:

<http://www.apgml.org/mutual-evaluations/page.aspx?p=b61008e6-465a-48c6-8927-69a6daaa0184>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The primary barriers to stronger enforcement of Sri Lanka's AML laws appear to be inadequate judicial resources and a lack of financial crime investigative experience. While about 10 money laundering-related cases have been filed by Sri Lanka's Attorney General in the past few years, all cases are still pending.

To date, there have been no criminal indictments which relate to money laundering facilitated by public corruption. However, investigation of public corruption-related money laundering is hindered by the fact that separate agencies have authority for investigating corruption and money laundering; corruption cases are investigated and prosecuted by the Bribery Commission under bribery law, while money laundering charges are prosecuted by the Attorney General. Sri Lanka should develop a mechanism for these agencies to work more closely, given that corruption generates illicit funds to be laundered.

In February 2013, Sri Lanka amended the Convention on the Suppression of Terrorist Financing Act to remove an exemption given to financing for humanitarian purposes. Consequently, financing of terrorism by organizations whose ostensible purpose is to provide humanitarian assistance is now criminalized under Sri Lankan law. In May 2012, Sri Lanka also promulgated regulations under its United Nations Act, No. 45 of 1968 to establish a system for identifying and forfeiting assets as well as for freezing terrorist assets without delay.

Although AML/CFT laws cover designated non-financial businesses and professions, such as casinos and gem dealers, no regulator has issued KYC or currency reporting policies covering these entities. These entities are not required to maintain customer information or report suspicious activity.

The financial intelligence unit (FIU) functions as a department of the Central Bank of Sri Lanka. The FIU's primary role is to receive reports of suspicious financial activity and, if it deems such reports credible, to share the reports with the division of the Sri Lankan police responsible for investigating financial crimes.

St. Kitts and Nevis

St. Kitts and Nevis (SKN) is a federation composed of two islands in the Eastern Caribbean. As a federation, the AML/CFT and offshore legislation covers both St. Kitts and Nevis; however, each island has the authority to organize its own financial structure. With most of the offshore financial activity concentrated in Nevis, it has independently developed its own offshore legislation.

Money Laundering and Financial Crimes

Due to the high volume of narcotics trafficking around the islands, Saint Kitts and Nevis remains susceptible to corruption and money laundering. The growth of its offshore sector coupled with unusually strong secrecy laws also remains problematic. The economic citizenship program is inadequately regulated, which contributes further to the federation's money laundering vulnerabilities.

The Eastern Caribbean Central Bank (ECCB) has direct responsibility for regulating and supervising the entire domestic sector of SKN and the offshore banks in Nevis, and for making recommendations regarding approval of offshore banking licenses. SKN's monetary authority is the ECCB, and its currency is the East Caribbean dollar, used by eight of the nine ECCB jurisdictions. By law, all offshore banks are required to have a physical presence in the federation; shell banks are not permitted. There remains a limited amount of information on the exact number of financial entities in the federation. Internet gaming entities must apply for a license as an international business company (IBC).

Nevis can form an IBC in less than 24 hours, and bearer shares are allowed, though "discouraged." Bearer shares are authorized if the bearer share certificates are retained in the protected custody of persons or financial institutions authorized by the Minister of Finance. Specific identifying information must be maintained on bearer certificates, including the name and address of the bearer as well as the certificate's beneficial owner.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Money brokers, exchanges, and lenders; charities and other non-profit organizations (NPOs); pawnshops, jewelers, and dealers of precious metals and stones; banks (domestic and offshore); real estate businesses; insurance companies; credit unions and building societies; money transmission services; venture risk capital firms; accountants; casinos; trust businesses; business corporations; and lawyers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 117: January 1 – November 15, 2013
Number of CTRs received and time frame: Not applicable

STR covered entities: Money brokers, exchanges, and lenders; charities and other NPOs; pawnshops, jewelers, and dealers of precious metals and stones; banks (domestic and offshore); real estate businesses; insurance companies; credit unions and building societies; money transmission services; venture risk capital firms; accountants; casinos; trust businesses; business corporations; and lawyers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 1 in 2013

Convictions: 0 in 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES **Other mechanism:** YES

With other governments/jurisdictions: YES

SKN is a member of the Caribbean Financial Action Task Force (CFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: https://www.cfatf-gafic.org/index.php?option=com_docman&task=cat_view&gid=335&Itemid=418&lang=en

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

SKN's legislation incorporates provisions for civil penalties; however, they are applied in an unreliable manner and do not apply to all pertinent financial sectors. The Government of St. Kitts and Nevis should ensure all relevant entities covered under the AML/CFT laws and regulations are subject to sanctions that are proportionate and dissuasive.

The economic citizenship program remains unchanged from 2012. An individual is eligible for citizenship with a \$350,000 minimum investment in real estate. The government also created the Sugar Industry Diversification Foundation, after the closure of the federation's sugar industry, as a special project approved for the purposes of citizenship by investment. To be eligible, an applicant must make a contribution ranging from \$200,000 to \$400,000 (based on the number of the applicant's dependents). Applicants must make a source of funds declaration and provide evidence supporting the declaration. According to the government, the Ministry of Finance established a Citizenship Processing Unit to manage the screening and application process. There remains little information on the unit's oversight effectiveness.

There are no guidelines to provide law enforcement the authority to conduct an investigation based on a foreign request for assistance.

Financial supervision in Nevis remains problematic because of anonymous accounts, secrecy laws, and a general lack of transparency of beneficial ownership of legal entities. The ambiguous regulatory framework regarding customer due diligence makes Nevis a desirable location for criminals to conceal proceeds.

The government should work toward transparency and accountability in financial regulation. Specifically, SKN should determine more precisely the exact number of internet gaming companies present on the islands and provide the necessary oversight of these entities. The

government should provide close supervision of its economic citizenship programs and openly report appropriate data.

St. Lucia

Illicit trafficking by established organized crime rings remains a serious issue for the Government of Saint Lucia. A majority of money laundering is primarily related to proceeds from illegal narcotics trafficking; domestic and foreign criminal elements launder illicit proceeds.

There is a free trade zone (FTZ) where investors can establish businesses and conduct trade and commerce outside the National Customs' supervision. Commercial activities are conducted within the FTZ or between the FTZ and foreign countries. It is suspected financial institutions unwittingly engage in currency transactions involving international narcotics trafficking proceeds.

There is a substantial black market for smuggled goods in St. Lucia, mostly gold, silver, and other jewelry, predominantly smuggled in from Guyana. There is an ongoing outflow of revenue and a black market of high-quality jewelry being purchased from duty free establishments in St. Lucia by both local and foreign consumers.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, building societies, and credit unions; insurance companies; international financial services companies; finance and lending companies; factors, guarantors, and registered agents; exchange bureaus; investment advisers; cash remittance services; postal and other courier services; real estate businesses; car dealerships; casinos, gaming houses, and internet gaming services; jewelers and bullion dealers; custodial, advice, and nominee services; check cashing services; financial leasing; venture risk capital; administrators and issuers of financial instruments, credit cards, traveler's checks and bankers' drafts; money brokers; financial intermediaries; securities brokers and underwriters; investment and merchant banks; trusts, asset management, and fiduciary services; company

formation and management services; collective investment schemes and mutual funds; lawyers; and accountants

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 92: January 1 - November 1, 2013

Number of CTRs received and time frame: Not available

STR covered entities: Banks, building societies, and credit unions; insurance companies; international financial services companies; finance and lending companies; factors, guarantors, and registered agents; exchange bureaus; investment advisers; cash remittance services; postal and other courier services; real estate businesses; car dealerships; casinos, gaming houses, and internet gaming services; jewelers and bullion dealers; custodial, advice, and nominee services; check cashing services; financial leasing; venture risk capital; administrators and issuers of financial instruments, credit cards, traveler's checks and bankers' drafts; money brokers; financial intermediaries; securities brokers and underwriters; investment and merchant banks; trusts, asset management, and fiduciary services; company formation and management services; collective investment schemes and mutual funds; lawyers; and accountants

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0

Convictions: 0

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES ***Other mechanism:*** YES

With other governments/jurisdictions: YES

St. Lucia is a member of Caribbean Financial Action Task Force (CFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: https://www.cfatf-gafic.org/index.php?option=com_docman&task=cat_view&gid=334&Itemid=418&lang=en

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Cooperation continues to increase between the Royal St. Lucia Police Force and the Financial Investigations Authority, and there is a robust approach to cash seizures and forfeitures. Since enactment of the Proceeds of Crime (Amendment) Act, May 2011, 11 cash forfeiture matters were filed in the High Court, two were successfully prosecuted and the additional nine are still in the investigative stage. There are many early-stage cash seizure cases pending due to a general lack of understanding of the cash seizure/forfeiture process among the police and courts. The Government of St. Lucia should improve investigative capacity within the police and courts to prosecute cash seizure and forfeitures cases expeditiously and successfully.

The Customs and Excise Department is challenged by false declarations, false invoicing, and fraudulent evasion of duties and taxes on goods, including excess goods. Monies, suspected to be derived from drug trafficking and other illicit enterprises, are filtered into and washed through trading firms. Trade-based money laundering is evident in St. Lucia. Law enforcement and

customs authorities should be given training on how to recognize and combat trade-based value transfer, which could be indicative of both customs fraud and money laundering.

St. Maarten

Sint Maarten (St. Maarten) is a semi-autonomous entity within the Kingdom of the Netherlands. St. Maarten enjoys sovereignty on most internal matters and defers to the Kingdom of the Netherlands in matters of defense, foreign policy, final judicial review, human rights, and good governance. Drug trafficking is an ongoing concern for St. Maarten, and money laundering is primarily related to proceeds from illegal narcotics. Bulk cash smuggling and trade-based money laundering may be problems due to the close proximity of other Caribbean islands and Saint Martin, the French part of the shared island, which is also a free trade zone.

St. Maarten does not have an offshore banking industry. Many hotels operate casinos on the island and online gaming is legal and subject to supervision.

In St. Maarten, money laundering of criminal profits occurs through business investments, real estate purchases, and other international tax shelters.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: **criminally:** YES **civilly:** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs; Foreign: YES Domestic: YES

KYC covered entities: Banks, lawyers, insurance companies, casinos, Customs, money remitters, the Central Bank, trust companies, accountants, car dealers, administrative offices, Tax Office, jewelers, credit unions, real estate businesses, notaries, currency exchange offices, and stock exchange brokers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 1,281: January – November, 2013

Number of CTRs received and time frame: 1: January – August 2013

STR covered entities: Banks, lawyers, insurance companies, casinos, Customs, money remitters, Central Bank, trust companies, accountants, car dealers, administrative offices, Tax Office, jewelers, credit unions, real estate businesses, notaries, currency exchange offices, and stock exchange brokers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT*: YES **Other mechanism:** YES

With other governments/jurisdictions: YES

St. Maarten is a member of the Caribbean Financial Action Task Force (CFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: https://www.cfatf-gafic.org/index.php?option=com_docman&Itemid=418&lang=en

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Kingdom of the Netherlands released its 2012 Threat Monitor Organized Crime (NDB), a quadrennial report on the nature and threat of organized crime within the Kingdom. The NDB establishes an integrated framework for tracking organized crime in the Caribbean region, and under the framework, government agencies are working more closely together, including through greater information sharing.

The National Ordinance Reporting Unusual Transactions establishes an “unusual transaction” reporting system. Designated entities are required to file unusual transaction reports (UTRs) with the financial intelligence unit (FIU) on any transaction that appears unusual (applying a broader standard than “suspicious”) or when there is reason to believe a transaction is connected with money laundering or terrorism financing. If, after analysis of an unusual transaction, a strong suspicion of money laundering or terrorism financing arises, those suspicious transactions are reported to the public prosecutor’s office.

In 2013, the RBC Royal Bank (Royal Bank of Canada) terminated its relationship with the Atlantis group of companies, including Atlantis World Management, which manages four casinos in St. Maarten. Indirect shareholder of Atlantis and registered beneficial owner, Francesco Corallo, was in custody in Italy for alleged fraud involving the Banco Popolare di Milano. Additionally, a strip club owner is under investigation for forgery, tax fraud, and money laundering. The case is related to a bribery investigation that allegedly involves a former deputy prime minister. A publicized video showed that an independent lawmaker appeared to accept stacks of money from the defendant as the two men discussed business permits.

St. Maarten and Curacao have a joint Central Bank. St. Maarten has a Tax Office Criminal Investigation Unit, a Financial Investigation Department, and its own FIU under the Ministry of Justice. The FIU has memoranda of understanding for information exchange with several countries. The government should continue to address insufficient staffing of the FIU and provide resources to enhance effective oversight. The Prosecutor’s Office should collaborate with Customs, Immigration, and the Coast Guard to increase the detection of currency smuggling. Prosecutors and the FIU should focus their investigations on tax fraud and seizing

illegally obtained profits. The government should continue financial investigative training for police officers to enhance detection and enforcement.

The Government of St. Maarten's AML/CFT regime should do more in regard to KYC rules, STR collection, criminalizing terrorism financing in line with international standards, and general enhancement of AML/CFT supervision in all sectors.

The Mutual Legal Assistance Treaty between the Kingdom of the Netherlands and the United States extends to St. Maarten. As part of the Kingdom of the Netherlands, St. Maarten cannot sign or ratify international conventions in its own right. Rather, the Kingdom may arrange for the ratification of any convention to be extended to St. Maarten. The 1988 Drug Convention was extended to St. Maarten in 1999. The International Convention for the Suppression of the Financing of Terrorism was extended to the Netherlands Antilles in 2010, and as successor, to St. Maarten. The UN Convention against Transnational Organized Crime and the UN Convention against Corruption have not yet been extended to St. Maarten.

St. Vincent and the Grenadines

Saint Vincent and the Grenadines (SVG) remains vulnerable to money laundering and other financial crimes as a result of drug trafficking and its offshore financial sector. The set of islands remains a small but active offshore financial center with a relatively large number of international business companies (IBCs).

In SVG, money laundering is principally affiliated with the production and trafficking of marijuana, as well as the trafficking of other narcotics from within the Caribbean region. Money laundering occurs in various financial institutions, such as domestic and offshore banks, and through money remitters.

In some instances, U.S. currency was smuggled into the jurisdiction using couriers, go-fast vessels, and yachts. In several cases, these monies were intercepted; the operations generating the illicit proceeds had regional origins, including Venezuela, Bermuda, and the U.S. Virgin Islands.

The Financial Services Authority updates annually the website data on the number of registered offshore and other financial sector entities, including banks, IBCs, insurance companies, mutual funds (fund managers and administrators), registered agents, and international trusts. There are no offshore casinos and no internet gaming licenses. No physical presence is required for offshore sector entities and businesses, with the exception of offshore banks. There are no free trade zones in SVG.

Bearer shares are permitted for IBCs, but not for banks. The Government of St. Vincent and the Grenadines requires registration and custody of bearer share certificates by a registered agent who must keep a record of each bearer certificate issued or deposited in its custody.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES

KYC covered entities: Banks, lenders, and factoring firms; check cashing and money transmission services; financial leasing firms; venture risk capital; issuers and administrators of credit cards, travelers checks, and bankers' drafts; guarantors and underwriters; money market instrument, foreign exchange, and bullion dealers; money brokers; financial intermediaries; securities brokers and underwriters; investment and merchant banks; asset management services; custody, trust, and other fiduciary services; company formation and management services; collective investment schemes and mutual funds; car dealerships; jewelers; real estate agents; casinos, internet gaming, pool betting, and lottery agents; lawyers and accountants; and charities

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 633: January 1 – November 1, 2013

Number of CTRs received and time frame: Not available

STR covered entities: Banks, lenders, and factoring firms; check cashing and money transmission services; financial leasing firms; venture risk capital; issuers and administrators of credit cards, travelers checks, and bankers' drafts; guarantors and underwriters; money market instrument, foreign exchange, and bullion dealers; money brokers; financial intermediaries; securities brokers and underwriters; investment and merchant banks; asset management services; custody, trust, and other fiduciary services; company formation and management services; collective investment schemes and mutual funds; car dealerships; jewelers; real estate agents; casinos, internet gaming, pool betting, and lottery agents; lawyers and accountants; and charities

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 2 in 2013

Convictions: 2 in 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES *Other mechanism:* YES

With other governments/jurisdictions: YES

Money Laundering and Financial Crimes

SVG is a member of the Caribbean Financial Action Task Force (CFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: https://www.cfatf-gafic.org/index.php?option=com_docman&task=cat_view&gid=333&Itemid=418&lang=en

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In 2013, approximately \$30,065 was seized from individuals on suspicion the money was derived from illegal conduct under the Proceeds of Crime (Money Laundering) Regulation and Prevention Act. Three people were detained and \$20,539 was seized through civil cash forfeiture proceedings using the same legislation.

St. Vincent and the Grenadines should become a party to the UN Convention against Corruption. It should also adopt a provision to provide financial institutions and their employees who file suspicious transaction reports (STRs) in good faith with a safe harbor against civil or criminal liability.

Sudan

Sudan has been designated a State Sponsor of Terrorism by the United States. In November 1997, the United States imposed comprehensive economic, trade, and financial sanctions against Sudan. Sudan currently has limited access to international financial markets and institutions because of comprehensive U.S. economic sanctions. The trafficking of narcotics is a source of concern, especially with the increase of smuggling operations across the extended land and sea borders of Sudan. Traders and other legitimate business persons often carry large sums of cash because Sudan is largely a cash-based society and electronic transfer of money outside of Sudan is challenging. This dependence on large amounts of cash complicates enforcement efforts and makes Sudan's banking system vulnerable to money laundering. Comprehensive sanctions also contribute to a significant black market for smuggled goods and informal value transfer systems. Sudan is vulnerable to trade-based money laundering. Corruption is widespread and facilitates criminal activity and money laundering.

Sudan has two free trade zones and a preliminary agreement with China for another. There are no known money laundering or terrorism financing activities through these zones.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: **Foreign:** YES **Domestic:** YES

KYC covered entities: Commercial banks, exchange and brokerage firms, securities firms, insurance companies, gambling clubs, estate brokerages, mineral and gem traders, attorneys, and accountants

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 13: January 1 - November 30, 2013

Number of CTRs received and time frame: Not available

STR covered entities: Commercial banks, exchange and brokerage firms, securities firms, insurance companies, gambling clubs, estate brokerages, mineral and gem traders, attorneys, and accountants

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2013

Convictions: 0 in 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** NO ***Other mechanism:*** NO

With other governments/jurisdictions: YES

Sudan is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.menafattf.org/TopicList.asp?cType=train>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Sudan's links with international terrorist organizations contributed to its 1993 designation as a State Sponsor of Terrorism.

The Government of Sudan asserts it is continuing to bolster its efforts to combat money laundering and other financial crimes. The Central Bank of Sudan (CBOS) and the Financial Intelligence Unit (FIU), an independent entity within the CBOS, make periodic field inspections of commercial banks and other financial institutions through the compliance officers' network. The CBOS and FIU continue to concentrate on implementation of the Money Laundering and Terrorism Financing Act (MLFTA) of 2010. It is not clear whether all of the implementing regulations for MLFTA are enforceable. The Government of Sudan has limited investigative capacity, and enforcement can be subject to political pressures, with many government officials involved in business. Since money laundering was criminalized in 2003, only three cases of money laundering have been referred for investigation at the office of Public Prosecution.

After a referendum led to the secession of South Sudan in 2011, Sudan and South Sudan signed a series of cooperation agreements in September 2012 that include agreements on banking and trade; these agreements have yet to be implemented. Because of the lack of an exchange policy with South Sudan, large volumes of cash transactions, usually employing a third currency, are

commonplace and have overwhelmed attempts to police the nature of the dealings. Credit card transactions often are not possible due to the U.S. sanctions regime; this is another reason for large cash transactions.

Sudan should continue to work on implementing its action plan to address noted deficiencies, including by implementing adequate procedures for identifying and freezing terrorist assets, ensuring a fully operational and effectively functioning FIU, and ensuring an effective supervisory program for AML/CFT compliance. Sudan should become a party to the UN Convention against Corruption; at this time there are no indications that Sudan is considering joining the convention. Going forward, Sudan must focus on full implementation of the MLFTA and on establishing and empowering effective enforcement institutions, particularly the FIU. With active rebellions in a large part of the country; multiple internal conflicts, both within and without the ruling party; strained relations with the new Republic of South Sudan; and a deteriorating economy, Sudan is not expected to give money laundering investigations or prosecutions a high priority.

Suriname

Money laundering in Suriname is closely linked to transnational criminal activity related to the transshipment of cocaine, primarily to Europe and Africa. Both domestic and international drug trafficking organizations are believed to control most of the laundered proceeds, which are primarily invested locally in casinos, real estate, foreign exchange companies, the construction sector, and car dealerships. Public corruption also may contribute to money laundering, though the full extent is unknown. There is a thriving informal sector fueled by the large profits from growing small-scale gold mining and the industries that support it. Much of the money within this sector does not pass through the formal banking system. In Suriname's undeveloped interior, bartering with gold is the norm for financial transactions. Goods, from agricultural products to fuel and medicine, are smuggled into the country via Guyana and French Guiana and are sold below the normal price for similar goods imported legally. Other goods are smuggled into the country mainly to avoid paying higher import duties. There is little evidence to suggest this activity is significantly funded by narcotics or other illicit proceeds. Contraband smuggling is not thought to generate funds that are laundered through the financial system.

There is no evidence of terrorism financing. Financial institutions do not facilitate movements of currency derived from illegal drug sales in the United States; local drug sales of cocaine in transit through Suriname are usually conducted in U.S. dollars, which may be deposited domestically.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: *criminally:* YES *civilly:* YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* NO *Domestic:* NO
KYC covered entities: Banks and credit unions; asset managers; securities brokers and dealers; insurance agents and companies; currency brokers, remitters, and exchanges; auditors, accountants, notaries, lawyers, and real estate agents; dealers in gold or other precious metals and stones; gaming entities and lotteries; and motor vehicle dealers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available
Number of CTRs received and time frame: Not available
STR covered entities: Banks and credit unions; asset managers; securities brokers and dealers; insurance agents and companies; currency brokers, remitters, and exchanges; auditors, accountants, notaries, lawyers, and real estate agents; dealers in gold or other precious metals and stones; gaming entities and lotteries; and motor vehicle dealers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* NO *Other mechanism:* YES
With other governments/jurisdictions: YES

Suriname is a member of the Caribbean Financial Action Task Force (CFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.cfatf-gafic.org/reports-a-documents/cat_view/22-english/23-annual-reports.html

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Suriname has a legal framework in place to combat money laundering; however, enforcement remains weak and inconsistent. Inadequate training, government corruption, and an overall lack of resources significantly diminish the government's investigative and prosecutorial abilities, as local institutions and personnel lack the capacity to fully enforce the law and its attendant regulations. Historically, a lack of political will prevented aggressive enforcement.

Placed within the Ministry of Finance, Customs is known as a particularly corrupt organization, which can impact trade-based money laundering. In January 2013, the Government of Suriname removed five high-ranking Customs officials for alleged corrupt practices. On June 17, despite complaints from the private sector about a lack of prior planning, Suriname implemented a Pre-Shipment Inspection (PSI) procedure and training program as part of a larger effort to increase revenue from import duties and address widely-acknowledged corruption in the Customs force.

Long deprived of revenue by corrupt customs agents and private sector firms who engage in widespread under-invoicing, the Government of Suriname sought to increase collections while also establishing a performance baseline against which to measure its own customs operations. Under PSI, all importers submitted an Import Verification Request. On July 26, the government suspended implementation of the PSI while it worked with trade groups to implement a new inspections regime, including new customs legislation and new personnel. A new system was not in place at the end of 2013.

In 2013, there were six ongoing investigations of financial crimes. In one case, a mother and son tried to smuggle more than \$200,000 and 2,000 euros out of the country via the Johan Adolf Pengel International Airport in Paramaribo. Both suspects were detained for violation of the foreign exchange law and the money was seized pending investigation.

The Reporting Unusual Transactions Law (August 2012) went into effect and the Unusual Transactions Office recorded 4,157 reports of unusual domestic and international transactions, 33 of which were red flagged as suspicious. Twenty cases were submitted for investigation, while the remaining 13 were reported to foreign FIUs. There were no known prosecutions resulting from these reports.

Suriname acceded to the UN International Convention for the Suppression of the Financing of Terrorism on July 19, 2013.

Surinamese authorities should move quickly to fully implement customer identification requirements (especially for politically exposed persons (PEPs)) and unusual transaction reporting procedures. The Government of Suriname should ensure covered entities are subject to adequate supervision and enforcement programs, and make additional efforts to ensure border enforcement. Customs and appropriate law enforcement need to investigate trade fraud and illicit value transfer. The Government of Suriname should become party to the UN Convention against Corruption.

Swaziland

The Kingdom of Swaziland is not considered a regional financial center. The financial sector in the Kingdom is small and dominated by subsidiaries of South African financial institutions. The small size of the country and its proximity to major cities in Mozambique and South Africa make it a transit country for illegal operations in those countries and, to some extent, in the rest of the Southern African region. Proceeds from the sale or trade of marijuana are laundered in Swaziland. Cash gained from the sale of marijuana and through other illegal activities is sometimes used to buy goods for retail outlets or to build houses on non-titled land. A large amount of such proceeds is moved via cross-border transactions involving banks, casinos, investment companies, and savings and credit cooperatives.

There is a significant black market for smuggled consumer goods, such as cigarettes, liquor, and pirated CDs and DVDs, transited across the porous borders of Mozambique, South Africa, and Swaziland. There is a general belief that trade-based money laundering exists in Swaziland.

Proceeds generated through corruption are a major concern, as is human trafficking. Swazi officials believe the Kingdom to be at little risk of terrorism financing.

The Common Monetary Area provides a free flow of funds among South Africa, Swaziland, Lesotho, and Namibia, with no exchange controls. Cash smuggling reports are informally shared on the basis of reciprocity among the relevant host government agencies.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, securities firms, real estate brokers, cooperatives, provident fund managers, and insurance brokers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 41 in 2013
Number of CTRs received and time frame: Not available
STR covered entities: Banks, securities firms, and pension funds

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 2 in 2013
Convictions: 1 in 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO ***Other mechanism:*** NO
With other governments/jurisdictions: YES

Swaziland is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.esaamlg.org/reports/view_me.php?id=223

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Over the last few years, Swaziland has taken several steps to establish an AML/CFT regime. The Money Laundering and Financing of Terrorism (Prevention) Act 2011, which, among other

things, provides for the establishment of a financial intelligence unit (FIU) and an AML task force, seeks to forge closer national cooperation and coordination among Swazi government institutions involved in AML/CFT activities. In 2013, the FIU became fully operational, but the AML task force, which is responsible for recommending necessary changes to the country's AML/CFT regime, meets infrequently.

Swaziland has successfully prosecuted two money laundering cases. The Royal Swaziland Police Service (RSPS) and the Kingdom's Anti-Corruption Commission (ACC) are the two main law enforcement agencies charged with investigating money laundering offenses. The Swaziland Revenue Authority (SRA) is involved in the reporting and investigation of certain financial crimes. The RSPS is charged with investigating terrorism financing offenses. According to Swazi officials, RSPS officers require additional training and capacity to be adequately prepared to investigate both money laundering and terrorism financing cases. The Government of the Kingdom of Swaziland should take steps to improve the capacity and coordination of the RSPS, the ACC, the FIU, and the SRA through the task force.

In addition, the government should make further amendments to Swaziland's AML/CFT legislation in order to criminalize terrorism financing in line with international standards; issue terrorist asset freezing regulations to implement Section 29 of the Suppression of Terrorism Act, 2008; and work to improve the generation and reporting of relevant statistics.

Sweden

Sweden is not a regional financial center. Money laundering in Sweden generally occurs either through individuals who use the financial system to turn over illicit funds or with the help of corporations that use financial services. Money laundering is further facilitated by criminals having contacts or acquaintances within, or influence over, corporations and actors within the financial system. Laundered money emanates from sales of narcotics, tax fraud, economic crimes, robbery, and organized crime. Money laundering is concentrated primarily in large urban regions, such as Stockholm, and is frequently conducted over the internet, utilizing international money transfer services, gaming sites, and narcotics and illicit chemical vending sites. Suspicious transaction reports (STRs) generally do not reference organized crime, although it is a growing concern. Public corruption is not an issue in Sweden.

Sweden does not have an offshore financial center. Sweden provides no offshore banking, and does not readily attract foreign criminal proceeds as it does not have especially favorable banking regulations. There is not a significant market for smuggled goods in Sweden; however, the Swedish police consider the smuggling of bulk cash to be a problem. Sweden is a member of the EU, and money moves freely within the EU. Sweden has foreign trade zones (FTZs) with bonded warehouses in the ports of Stockholm, Göteborg, Malmö, and Jönköping. Goods may be stored for an unlimited time in these zones without customs clearance, but they may not be consumed or sold on a retail basis. Permission may be granted to use these goods as materials for industrial operations within a FTZ. The same tax and labor laws apply to FTZs as to other workplaces in Sweden.

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For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES

KYC covered entities: Banks; insurance companies; securities firms; currency exchange houses, providers of electronic money, and money transfer companies; accounting firms; law firms and tax counselors; casinos, gaming entities, and lottery ticket sales outlets; dealers of vehicles, art, antiques and jewelry; and real estate brokers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 9,436 in 2012

Number of CTRs received and time frame: Not applicable

STR covered entities: Accountants; tax advisors; lawyers; real estate agents; casinos; banks; life insurance companies and insurance brokers; securities and fund companies; issuers of electronic money; and high-value goods dealers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES ***Other mechanism:*** YES

With other governments/jurisdictions: YES

Sweden is a member of the FATF. Its most recent mutual evaluation can be found at:

<http://www.fatf-gafi.org/topics/mutualevaluations/documents/mutualevaluationofsweden.html>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Swedish legislation dealing with money laundering exists in the Penal Code and the Money Laundering Act (MLA). In practice, predicate crimes are prosecuted, but not money laundering itself. Most often, money laundering is prosecuted as tax evasion if no other direct connection to crime is found. Many money laundering incidents involve self-laundering, wherein a person tries to launder his own ill-gotten gains. Self-laundering is not criminalized in the Penal Code, even though it is defined as money laundering within the MLA. Rather than establishing

criminal regulations, the MLA defines what is considered suspicious and should be reported to the financial intelligence unit.

The Swedish Financial Authority oversees compliance with current reporting regulations. It has the power to fine institutions and issue warnings, as well as to revoke licenses. Swedish authorities believe the most popular destinations for money leaving Sweden are Nigeria, Ghana, the UK, the Philippines, Thailand, China, Russia, and Malaysia; however, the largest transfers have gone to Dubai, Germany, and the United Arab Emirates. Money has most frequently entered Sweden from Libya, Estonia, China, Iraq, the UK, Germany, Iran, and Russia. Sweden should adopt cross-border currency reporting requirements per international standards.

Switzerland

Switzerland is a major international financial center. The country's central geographic location; relative political, social, and monetary stability; the range and sophistication of financial services it provides; and its long tradition of bank secrecy not only contribute to Switzerland's success as a major international financial center, but also continue to expose Switzerland to potential money laundering abuse.

Reports indicate that criminals attempt to launder illegal proceeds in Switzerland from a wide range of criminal activities conducted worldwide. These illegal activities include, but are not limited to, financial crimes, narcotics trafficking, arms trafficking, organized crime, terrorism financing, and corruption. Although both Swiss and foreign individuals or entities launder money in Switzerland, foreign narcotics trafficking organizations, often based in Russia, the Balkans, Eastern Europe, South America, and West Africa, dominate the narcotics-related money laundering operations in Switzerland.

There are currently 21 casinos in Switzerland. Every casino must obtain a concession from the Federal Council (the highest authority of the executive branch) that needs to be renewed every 20 years. While generally well regulated, there are concerns casinos may be used to launder money. One possible method involves the structuring of cash purchases of casino chips or tokens to avoid reporting requirements and subsequently redeeming the chips for checks drawn on, or wire transfers from, casino bank accounts. Corrupt casino employees also have facilitated drug money laundering activities.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Are legal persons covered: *criminally:* YES *civilly:* YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* YES

KYC covered entities: Banks; securities and insurance brokers; money exchangers or remitters; financial management firms; investment companies; insurance companies; casinos; financial intermediaries; wealth managers and investment advisors

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 1,585 in 2012

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks; securities and insurance brokers; money exchangers or remitters; financial management firms; casinos; financial intermediaries; wealth managers and investment advisors

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: 213 in 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES *Other mechanism:* YES

With other governments/jurisdictions: YES

Switzerland is a member of the FATF. Its most recent mutual evaluation can be found at:

<http://www.fatf-gafi.org/countries/s-t/switzerland/>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The number of suspicious activity reports decreased by 2.5 percent from 2011 to 2012, encompassing a total of CHF 3.2 billion (approximately \$3.4 billion), compared to CHF 3.3 billion (approximately \$3.5 billion) in 2011. In 2012, 15 reports were related to terrorism finance, amounting to CHF 7.47 million (approximately \$7.97 million).

There is a lack of adequate regulation of some designated non-financial business sectors, such as real estate, jewelry, luxury cars, works of art, and commodities like oil and gas. Swiss authorities should take steps to regulate these sectors.

Sports associations like the International Federation of Association Football or the International Olympic Committee are not businesses but associations. They do not pay taxes, and as associations, are exempted from the Swiss anti-corruption legal framework. The exception provided to these entities makes them more vulnerable to money laundering activity. The government should consider efforts to change applicable laws.

Since 2009, persons physically transferring money worth more than \$10,600 into or out of Switzerland need to be able to specify its origins, its future destination, and its owner, but only if asked by the Swiss authorities.

New rules, implemented on November 1, 2013, now allow the Swiss federal police force AML unit (MROS) to exchange financial information with other financial intelligence units, enhancing Switzerland's capacity to fight money laundering. In 2012, MROS replied to 598 requests for non-financial information from foreign countries. With the new, more permissive rules in place since November 1, the number of responses to requests from other jurisdictions is likely to increase.

Syria

Syria is not an important regional or offshore financial center. Prior to widespread civil unrest beginning in 2011, only 20 percent of Syria's population used formal banking services, although private sector banks' market penetration was growing rapidly; however, following the imposition of robust sanctions on individuals, entities, and banks by several jurisdictions, banking services were used considerably less in 2012. While large commercial transactions rely on banks, the majority of business transactions are still conducted in cash. The most obvious indigenous money laundering threat involves some members of Syria's political and business elite, whose corruption and extra-legal activities continue unabated.

Poor enforcement of existing laws contributes to significant money laundering and terrorism financing vulnerabilities in Syria's financial sectors. Syria's borders are porous, and regional hawala networks have avoided regulatory enforcement and are intertwined with smuggling and trade-based money laundering, raising significant concerns, including involvement in the financing of terrorism. In addition to cash smuggling, there is also a high rate of commodity smuggling in and out of Syria. It has been reported that some smuggling is occurring with the knowledge of, or perhaps even under the authority of, the Syrian security services, while other smuggling attempts to evade the regime's crackdown on protesters. Estimates of the volume of business Syrian money changers conduct in the black market range between \$15 and \$70 million per day.

The United States has designated Syria as a State Sponsor of Terrorism. In addition, the United States, the European Union, the Arab League, and individual nations have imposed sanctions against the Assad regime and key regime supporters, to deprive the regime of the resources it needs to fund its continued repression of the Syrian people. Since April 2011, the United States has issued five Executive Orders—13572, 13573, 13582, 13606, and 13608—each imposing new sanctions in response to the violence in Syria. Under these measures, the United States has targeted Syrian institutions that support the regime and its violence against the Syrian people, including the Central Bank of Syria, Commercial Bank of Syria, the Real Estate Bank, Syrian-Lebanese Commercial Bank, Syrian International Islamic Bank, and the Syrian petroleum industry.

In May 2004, the U.S. Department of the Treasury found the Commercial Bank of Syria (CBS), along with its subsidiary, the Syrian Lebanese Commercial Bank (SLCB), to be a financial institution of "primary money laundering concern," pursuant to Section 311 of the USA PATRIOT Act. This finding resulted from information that CBS had been used by terrorists or persons associated with terrorist organizations as a conduit for the laundering of proceeds

generated by the illicit sale of Iraqi oil, and because of continued concerns that CBS was vulnerable to exploitation by criminal and/or terrorist enterprises. In March 2006, Treasury promulgated a final rule, based on the 2004 finding, prohibiting U.S. financial institutions from maintaining or opening correspondent or payable-through accounts with CBS or its SLCB subsidiary.

In addition to a ban on the import or transport of Syrian petroleum, the EU levied sanctions that largely parallel the U.S. sanctions regime, including restrictions on transactions with the Commercial Bank of Syria and the Central Bank of Syria; bans on the provision of certain financial services (including insurance), arms, and military equipment; prohibitions on the provision of currency services for the Syrian government; and bans on the direct or indirect sale, purchase, or brokering of gold, precious metals, and diamonds.

After suspending Syria's membership on November 12, 2011, the Arab League approved sanctions on Syria on November 28, 2011. These sanctions include cutting off transactions with the Syrian central bank; halting funding by Arab governments for projects in Syria; a ban on senior Syrian officials traveling to other Arab countries; and a freeze on assets related to President Bashar al-Assad's government. The declaration also calls on Arab central banks to monitor transfers to Syria, with the exception of remittances from Syrians abroad.

Starting in June 2011, the FATF has included Syria in its Public Statements for Syria's continuing failure to adequately implement its action plan to address noted AML/CFT deficiencies. Syria has taken steps toward improving its AML/CFT regime, including by promulgating amendments to its AML/CFT Decree in July 2013; however, Syria still lacks a framework to freeze terrorist assets.

There are eight public free trade zones (FTZs) in Syria. Iran had announced plans to build FTZs in Syria; however, it later dropped this idea in favor of pursuing a free trade agreement. China's free zone in Adra was officially inaugurated in July 2008; 13 businesses have been established in Adra to date. As of 2012, the volume of goods entering the FTZs was estimated to be in the billions of dollars and was growing, especially with increasing demand for automobiles and automotive parts, which enter the zones free of customs tariffs before being imported into Syria. While all industries and financial institutions in the FTZs must be registered with the General Organization for Free Zones, part of the Ministry of Economy and Trade, the Syrian General Directorate of Customs continues to lack strong procedures to check country of origin certification, or the resources to adequately monitor goods that enter Syria through the zones. There also are continuing reports of Syrians using the FTZs to import arms and other goods into Syria in violation of U.S. sanctions under the Syrian Accountability Act and a number of UNSCRs.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN

THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach
Are legal persons covered: **criminally:** YES **civilly:** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: **Foreign:** NO **Domestic:** NO

KYC covered entities: Banks; money exchanges and remitters; issuers of payment instruments such as credit and debit cards, payment cards, and traveler's checks; investment funds and their managers; financial brokerages and financial leasing corporations; insurance companies; real estate brokers and agents; dealers of high-value goods, jewelry, precious stones, gold, and antiquities; lawyers; and accountants

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not available

STR covered entities: Banks; money exchanges and remitters; issuers of payment instruments such as credit and debit cards, payment cards, and traveler's checks; investment funds and their managers; financial brokerages and financial leasing corporations; insurance companies; real estate brokers and agents; dealers of high-value goods, jewelry, precious stones, gold, and antiquities; lawyers; and accountants

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: 0

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** NO **Other mechanism:** NO

With other governments/jurisdictions: NO

Syria is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.menafatf.org/images/UploadFiles/MutualEvaluationReportofSyria.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Money changers remain largely unregulated. The General Directorate of Customs lacks the necessary staff and financial resources to effectively handle the problem of smuggling. While customs has started to enact some limited reforms, including the computerization of border outposts to interface with other government agencies, information sharing problems remain.

Most Syrian judges are not yet familiar with the evidentiary requirements of the AML law. Furthermore, the slow pace of the Syrian legal system and political sensitivities delay quick

adjudication of these issues. The lack of expertise, further undermined by a lack of political will, continues to impede effective implementation of existing AML/CFT regulations.

While the Government of Syria has made modest progress in implementing AML/CFT regulations that govern the formal financial sector, the lack of transparency of the state-owned banks and their vulnerability to political influence reveal the absence of political will to address AML/CFT in the largest part of the banking sector. In addition, non-bank financial institutions and the underground economy will continue to be vulnerable to money launderers and terrorist financiers. To build confidence in Syria's intentions, the central bank should be granted independence and supervisory authority over the entire financial sector. Additionally, the government should enact specific legal procedures to implement an adequate terrorist asset-freezing regime. Upon enactment of these provisions, Syria should work actively to effectively implement both its current AML/CFT regime and the new procedures. Syria should become a party to the UN Convention against Corruption.

Taiwan

As a regional financial center, Taiwan's modern financial sector, strategic location on international shipping lanes, expertise in high-tech sectors, and role as an international trade hub make it vulnerable to transnational crimes, including money laundering, drug trafficking, telecom fraud, and trade fraud.

Domestic money laundering is generally related to tax evasion, drug trafficking, public corruption, and a range of economic crimes. Jewelry stores increasingly are being used as a type of underground remittance system. Jewelers convert illicit proceeds into precious metals, stones, and foreign currency, and generally move them using cross-border couriers. The tradition of secrecy in the precious metals and stones trade makes it difficult for law enforcement to detect and deter money laundering in this sector. Gambling is only allowed in limited parts of Taiwan's territory but the extent of either online or other illegal gaming is unknown.

Official channels exist to remit funds, which greatly reduce the demand for unofficial remittance systems; however, although illegal in Taiwan, a large volume of informal financial activity takes place through unregulated, and possibly organized crime-linked, non-bank channels. Taiwan has five free trade zones and a growing offshore banking sector which are regulated by Taiwan's Central Bank and the Financial Supervisory Commission. There is no significant black market for smuggled goods in Taiwan.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

Money Laundering and Financial Crimes

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: Combined approach
Are legal persons covered: *criminally:* YES *civilly:* YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* YES

KYC covered entities: Banks; trust and investment enterprises; credit cooperative associations; credit departments of farmers' associations; credit departments of fishermen's associations; Agricultural Bank of Taiwan; postal service institutions which also handle financial transactions; negotiable instrument finance corporations; credit card companies; insurance companies, agents, and brokers; securities brokers; securities investment, consulting, and trust enterprises; securities finance enterprises; securities central depository enterprises; futures brokers; and retail jewelry businesses

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 5,009: January - October 2013

Number of CTRs received and time frame: 3,307,833: January - October 2013

STR covered entities: Banks; trust and investment enterprises; credit cooperative associations; credit department of farmers' associations; credit department of fishermen's associations; Agricultural Bank of Taiwan; postal service institutions which also handle financial transactions; negotiable instrument finance corporations; credit card companies; insurance companies, agents, and brokers; securities brokers; securities investment, consulting, and trust enterprises; securities finance enterprises; securities central depository enterprises; futures brokers; and retail jewelry businesses

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 20 in 2012

Convictions: 60 in 2012

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO Other mechanism: YES

With other governments/jurisdictions: YES

Taiwan is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at:

<http://www.apgml.org/documents/search-results.aspx?keywords=chinese+Taipei>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Taiwan continues to strengthen its AML/CFT regime but is not yet in full compliance with international standards. While Taiwan criminalizes the financing of terrorist activities, it is not an autonomous offense. There are also significant gaps in Taiwan's asset freezing regime and implementation of UNSCR 1267; deficiencies in customer due diligence (CDD) regulations, including in identifying and verifying customer identity; and, compared with international standards, the threshold for a serious money laundering offense is too high. Taiwan should pass legislation to criminalize the financing of terrorism as an autonomous crime, clarify that the law

covers terrorism-related activities conducted overseas, establish procedures to allow the freezing of terrorist assets without delay, and continue to address CDD concerns. Draft legislative amendments to Taiwan's Money Laundering Control Act address a number of these deficiencies, but remain only in draft form.

Regulations regarding the reporting of transactions by jewelry stores came into force in January 2012, with stricter reporting requirements and a lower reporting threshold for transactions. Violations of these reporting requirements are subject to penalties under Taiwan's money laundering law. The responsible agency governing jewelry stores is the Department of Commerce within the Ministry of Economic Affairs, and it is unclear if this department has the capacity to audit jewelry stores. The government is not keeping statistics on jewelry store-related money laundering cases.

Taiwan's AML/CFT requirements do not apply to several types of designated non-financial businesses and professions (DNFBPs), which remain vulnerable to money laundering/terrorism financing activity. Taiwan should exert more authority over non-profit organizations and should raise awareness of the vulnerabilities to terrorism financing of this sector. Taiwan should take steps to amend its legislation and regulations to bring all DNFBPs, as listed in the international standards, and the non-profit sector within the scope of its AML/CFT coverage. Given the increasing threat of alternative remittance systems, such as the precious metals and stones sector, Taiwan's law enforcement should enhance investigations of underground financial systems.

The United States and Taiwan, through their respective legal representatives, are parties to the Agreement on Mutual Legal Assistance in Criminal Matters Between the American Institute in Taiwan and the Taipei Economic and Cultural Representative Office in the United States. Taiwan is unable to ratify conventions under the auspices of the UN because it is not a UN member. However, it has enacted domestic legislation to implement the standards in the 1988 UN Drug Convention, the UN Convention against Transnational Organized Crime, and the UN Convention for the Suppression of the Financing of Terrorism.

Tajikistan

Criminal proceeds laundered in Tajikistan derive from both foreign and domestic criminal activities and are assumed to be related to the large amounts of opium and heroin trafficked through the country from Afghanistan to Russia. It is widely suspected that money laundering activities are primarily controlled by high-level drug trafficking networks, with some smaller actors involved. It is further suspected that corruption in key government agencies facilitates the drug trade and associated money laundering. According to the National Bank of Tajikistan (NBT), the country's central bank, some money laundering takes place in the formal financial sector. The absence of any significant money laundering investigations or prosecutions with subsequent confiscation of criminally derived assets makes it impossible to accurately gauge the degree to which the formal banking sector is being used to launder such assets.

While there is a market for smuggled goods, there is little evidence that most items are financed with narcotics money, with the exception of imported cars and other luxury goods. Use of

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alternative remittance systems, free trade zones, and bearer shares create the potential for abuse, but evidence is scarce and there is a lack of investigations.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** NO ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** NO
KYC covered entities: Banks, money remitters, foreign exchange dealers, microfinance institutions, insurance companies, and securities dealers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 3: January 1 - October 31, 2013

Number of CTRs received and time frame: Not available

STR covered entities: Banks, money remitters, foreign exchange dealers, notaries, and microfinance institutions

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 3 in 2013

Convictions: 2 in 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO ***Other mechanism:*** YES

With other governments/jurisdictions: YES

Tajikistan is a member of the Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.eurasiangroup.org/mers.php>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Republic of Tajikistan is a signatory to several international agreements pertaining to money laundering and financial crime. Money laundering is criminalized to a large extent, in line with the Vienna and Palermo conventions; however, Tajikistan experienced delays in codifying the provisions of these agreements into domestic law. In 2013, Tajikistan amended portions of its

legislation pertaining to money laundering and financial crimes, bringing its laws closer to compliance with international recommendations.

In June 2013, Tajikistan's Parliament adopted amendments to Article 262 of its criminal code. The amendments widen the definition of property subject to confiscation to include proceeds of criminal activity that are intermingled with legitimate assets, and interest and investment gains derived from proceeds of criminal activity.

In 2013, the NBT also adopted several regulations regarding the detection of suspicious activities and transactions, with the goal of improving the ability of bank employees across the country to identify potential criminal activity. The NBT also provided training to bank employees on implementation of the regulations.

On August 7, 2013 Tajikistan approved a new regulation on the procedures for freezing, seizing, and unfreezing of assets (property) of persons regarding whom there is evidence of involvement in terrorism. There are still items to clarify and address, as necessary, in relation to confiscation and the framework for identifying and freezing terrorist assets.

The level of coordination, cooperation, staffing, and training among Tajik agencies that deal with money laundering is deficient, impeding their ability to conduct effective money laundering investigations. While jurisdiction for investigating money laundering and related financial crimes in Tajikistan is divided among the Ministry of Internal Affairs, State Committee of National Security, Prosecutor General's Office, and Anti-Corruption Agency, the level and quality of cooperation and coordination among these agencies could be significantly improved through training and the establishment of multi-agency task forces. In early 2013, the Inter-Ministerial Commission on Anti-Money Laundering and Combating Terrorism Financing was moved from the NBT to the office of the State Legal Advisor to the President of Tajikistan. It is anticipated this move will enhance the commission's independence and power.

Tanzania

While Tanzania is not a major regional financial center, its location at the crossroads of southern, central, and eastern Africa makes it a prime location for activities that generate illicit revenue, including smuggling and the trafficking of narcotics, arms, and humans. The major proceeds-generating crimes in Tanzania include theft, robbery, corruption, smuggling of precious metals and stones, and drug trafficking. With only 12 percent of the population banked, money laundering is more likely to occur in the informal, non-bank sectors. Mobile financial services, such as M-pesa and AirtelMoney, continue to expand rapidly in Tanzania, thereby providing formerly underserved rural areas access to the formal financial sector, but also creating new vulnerabilities in that sector. As of late 2013, the Central Bank estimates the equivalent of \$650 million is transferred each month through mobile services.

Real estate and used car businesses appear to be used in money laundering schemes. Criminals have been known to use front companies, hawaladars, and *bureaux de change* to launder funds, though these are not currently significant areas of concern for Tanzanian AML/CFT officials, who are also not aware of any abuse of non-profit organizations, alternative remittance systems,

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offshore sectors, free trade zones, or bearer shares. The use of front companies to launder money appears to be more common on the island of Zanzibar. Officials indicate money laundering schemes in Zanzibar generally take the form of foreign investment in the tourist industry. Bulk cash smuggling is also a problem.

The FATF again included Tanzania in its October 18, 2013 Public Statement for its failure to adequately implement its action plan to address noted AML/CFT deficiencies. In particular, Tanzania needs to implement procedures for identifying and freezing terrorist assets.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach
Are legal persons covered: criminally: YES civilly: NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: **Foreign:** YES **Domestic:** NO

KYC covered entities: Banks, cash dealers, accountants, dealers in art and precious metals and stones, customs officials, and legal professionals

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 68: January 1 – December 23, 2013

Number of CTRs received and time frame: Not available

STR covered entities: Banks, cash dealers, accountants, realtors, dealers in art and precious metals and stones, casinos and gaming operators, regulators, customs officials, and legal professionals

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 14 in 2012

Convictions: 0 in 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** NO *Other mechanism:* NO

With other governments/jurisdictions: YES

Tanzania is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.esaamlg.org/reports/me.php>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In 2013, the Government of Tanzania took positive steps to strengthen its response to money laundering. Coordination with Zanzibar on AML regulations and procedures has shown improvement. Mainland and Zanzibari authorities share a single financial intelligence unit (FIU). In 2013, the FIU conducted regular trainings, and improved information sharing with Zanzibari officials responsible for AML/CFT. However, authorities in Zanzibar continue to lag behind their mainland counterparts. Additional training for the judiciary and the law enforcement authorities charged with investigating financial crimes is critical.

In 2012, Tanzania amended the 2006 Anti-Money Laundering Act (AMLA). Weaknesses remain, however, in AML/CFT supervision of the financial sector. There is limited capacity to effectively implement all the requirements and adequately supervise the banking sector. Greater efforts should be made to apply AML/CFT requirements to, and improve compliance by, designated non-financial businesses and professions. Bankers report that implementation and enforcement of the AMLA remain challenges. Representatives of the banking sector report that a history of lax record keeping in local banks and a lack of national identification continue to undermine strict enforcement of KYC provisions. Local banks outside of the capital are also frequently unaware of reporting requirements.

In 2013, the FIU participated in trainings on financial investigations, stolen asset recovery, computer forensics, and corruption prevention. Other than FIU information-sharing memoranda of understanding (MOUs), Tanzania does not participate in any formal, multilateral records exchange mechanisms. The Ministry of Foreign Affairs and Central Bank of Tanzania do occasionally cooperate with other governments via MOUs.

Currency transaction reporting was introduced in Tanzanian law in 2012; authorities have made limited progress on enforcing implementation. At the close of 2012, Tanzanian authorities had not yet determined a threshold amount for currency transaction reporting.

The Prevention of Terrorism Act was amended in 2012 to include mechanisms to identify and freeze assets of suspected international terrorists. The amended law addresses deficiencies with regard to Tanzania's ability to implement UNSCRs 1267 and 1373. In 2013, the government sent representatives to donor-sponsored trainings.

Weaknesses in FIU capacity remain; the FIU would benefit from improved training for new staff, better informing financial institutions of their reporting and record-keeping responsibilities, and more robust training of the financial sector to identify suspicious transactions. In general, Tanzania should work to increase the level of awareness and understanding of money laundering threats in the financial, law enforcement, and judicial communities and should allocate the necessary human, technical, and financial resources to implement its AML/CFT regime, especially in Zanzibar. The government should continue to focus its efforts on implementing the AMLA. Tanzania also should improve its cross-border cash declaration regime and its ability to identify, freeze, and seize the proceeds of crime. Tanzanian police and customs officials also would benefit from training on identifying and preventing money laundering through the exploitation of money/value transfer services operating in the region.

Thailand

Thailand is a centrally located Southeast Asian country with an extremely porous border. Thailand is vulnerable to money laundering within its own underground economy, as well as to many categories of cross-border crime, including illicit narcotics and other contraband smuggling. Thailand is a source, transit, and destination country for international migrant smuggling and trafficking in persons, a production and distribution center for counterfeit consumer goods, and a center for the production and sale of fraudulent travel documents. The proceeds of illegal gaming, corruption, underground lotteries, and prostitution are laundered through the country's financial system. The Thai black market includes a wide range of pirated and smuggled goods, from counterfeit medicines to luxury automobiles.

Money launderers and traffickers use banks, as well as non-bank financial institutions and businesses, to move the profits of narcotics trafficking and other criminal enterprises. In the informal money changing sector, there is an increasing presence of hawalas via money shops that service Middle Eastern travelers in Thailand.

Thailand was publicly identified by the FATF in 2010 for its strategic AML/CFT deficiencies, for which it developed an action plan. In February 2013, the FATF removed Thailand from its Public Statement after concluding Thailand had made significant progress and had completed all items on its action plan.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks and state-owned banks, finance and personal loan companies, mortgage finance companies, securities dealers, insurance companies, money exchangers and remitters, asset management companies, jewelry and gold shops, automotive hire-purchase businesses or car dealers, real estate agents/brokers, antique shops, electronic card and payment businesses, credit card businesses, and deposit/lending cooperatives with total operating capital exceeding \$67,000

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 74,596 in 2013

Number of CTRs received and time frame: 1,062,020 in 2013

STR covered entities: Private and state-owned banks, finance companies, insurance companies, savings cooperatives, securities firms, asset management companies, mortgage finance companies, land registration offices, moneychangers, remittance agents, jewelry and gold shops, automotive hire-purchase businesses and car dealerships, real estate agents and brokers, antique shops, personal loan companies, and electronic payment and credit card companies

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 62: January 1 - October 31, 2013

Convictions: 24: January 1 - October 31, 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES **Other mechanism:** YES

With other governments/jurisdictions: YES

Thailand is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at:

<http://www.apgml.org/members-and-observers/members/member-documents.aspx?m=6ff62559-9485-4e35-bf65-305f07d91b05>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Under pressure from the international community, Thailand has made significant progress over the past year in its AML legal/regulatory framework. In 2013, Thailand passed the Anti-Money Laundering Act (No. 4) (2013) and the Counter Terrorism Financing Act (2013) which require customer due diligence, criminalize the tipping off of suspected money launderers, provide rules and procedures for creating terrorist designations and their listing and delisting, and enable authorities to freeze the assets of designated persons without delay. Operationally, Thailand's AML regime appears to be continuing its longstanding focus on civil asset seizure and forfeiture as compared to criminal enforcement. In spite of a high number of money laundering prosecutions, the conviction rate is low and has been for the last several years. Thai officials attribute the lack of convictions to the poor interface between the Thai Police and the Office of the Attorney General. Hopefully, the new Act will lead to more convictions with the addition of a number of new predicate crimes for money laundering.

The new Act also has transferred all supervision of reporting entities to the Anti-Money Laundering Office (AMLO), which serves as Thailand's financial intelligence unit. In the past, supervision for AML purposes appears to have been lax across the spectrum of regulators. AMLO plans to assume its new supervisory role by 2015.

On October 17, 2013, Thailand became a party to the UN Convention against Transnational Organized Crime.

Timor-Leste

Timor-Leste is not a regional or offshore financial center, and has no free trade zones. The economy is cash based, and the Ministry of Finance estimates only 1.3 percent of Timorese regularly use banking facilities. The national economy heavily depends on government spending financed by petroleum and natural gas revenues, supplemented by assistance from international donors. The private sector is small, concentrated in the service and retail sectors.

All three major banks in Timor-Leste are branches of foreign banks, chartered in Australia, Portugal, and Indonesia, and are subject to the reporting requirements of their home jurisdictions. In 2011, the Timorese government created a commercial bank, and it is in the process of creating a development and investment bank, expected to have partial foreign ownership.

Weak controls at the land border with Indonesia and even weaker maritime border controls make Timor-Leste vulnerable to smuggling, organized crime, and terrorist activities. Drugs, including methamphetamines and cocaine, have been seized in the country, but narcotics trafficking is not considered a significant source of illegal proceeds. Nevertheless, Timor-Leste is a transshipment point for drug traffickers, which suggests illegal proceeds would probably be discovered were it not for the inadequacy of reporting and data systems that makes it difficult to track cross-border activities.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: Combination approach

Are legal persons covered: ***criminally:*** YES ***civilly:*** NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** NO ***Domestic:*** YES

KYC covered entities: Banks, microfinance institutions, money exchanges and remitters, insurance companies and brokers, casinos, financial and real estate service providers, accountants, auditors, and financial consultants

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 14 in 2013

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks, microfinance institutions, money exchanges and remitters, insurance companies and brokers, casinos, financial and real estate service providers, accountants, auditors, and financial consultants

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 2 in 2013

Convictions: 1 in 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* NO **Other mechanism:** YES

With other governments/jurisdictions: YES

Timor-Leste is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at:

<http://www.apgml.org/includes/handlers/get-document.ashx?d=9be81db1-1f46-42d0-939c-4ffca465cc64>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Timor-Leste lacks critical AML/CFT controls, and its low technical, financial, and human capacity makes it difficult to enforce adequately the laws that are in place. In 2013, Parliament remedied the deficiencies in its 2011 AML/CFT law with the passage of a package of amendments. The amendments expand the categories of crimes listed as predicate offenses, mandate increased due diligence for politically exposed persons (PEPs), provide immunity for those who report suspicious transactions in good faith, and authorize extraordinary investigative tools for investigators, among other changes. It is now up to the Central Bank to implement the necessary measures to make the amended law more effective.

The law also mandates the fullest judicial cooperation between relevant Timorese authorities and competent foreign authorities. The details of that cooperation are not specified, however. Many of the details with respect to implementation of the law are contained in a Decree Law and instructions that have not yet been implemented.

Concurrent with its passage of the AML/CFT amendments in 2013, Parliament acceded to the 1988 UN Drug Convention, which, among other things, broadly expands mutual legal assistance between Timor-Leste and the other signatories; however, as of the end of 2013, the government has not yet deposited the instruments of accession with the UN, so Timor-Leste is not yet considered a party to the convention.

Customer due diligence and reporting procedures have been implemented only in banks and microfinance institutions. The government should take steps to implement these programs in all entities covered under the AML/CFT law. Timor-Leste also should become a party to the UN International Convention for the Suppression of the Financing of Terrorism.

Togo

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Togo's porous borders, high level of corruption, and large informal sector make it vulnerable to illicit transshipments and small-scale money laundering. Most narcotics passing through Togo are destined for European markets. Drug and wildlife trafficking, trafficking in persons, corruption, misappropriation of funds, tax evasion, and smuggling are major crimes in Togo. The country's small financial infrastructure, dominated by regional banks, makes it a less attractive venue for money laundering through financial institutions.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES

KYC covered entities: Banks, lending and savings institutions, microfinance entities, insurance and securities brokers and companies, mutual funds, the regional stock exchange, attorneys, notaries, auditors, dealers of high-value goods, money exchangers and remitters, casinos and gaming establishments, non-governmental organizations (NGOs), travel and real estate agents, and the post office

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 163 in 2013

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks, lending and savings institutions, microfinance entities, insurance and securities brokers and companies, mutual funds, the regional stock exchange, attorneys, notaries, auditors, dealers of high-value goods, money exchangers and remitters, casinos and gaming establishments, NGOs, travel and real estate agents, and the post office

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2013

Convictions: 0 in 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO ***Other mechanism:*** YES

With other governments/jurisdictions: YES

Togo is a member of the Inter Governmental Action Group against Money Laundering in West Africa (GIABA), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.giaba.org/reports/mutual-evaluation/Togo.html>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Togo is slowly implementing a national plan to fight drugs and money laundering, and has been receiving increasing support from foreign donors. Togo's AML/CFT laws are primarily administered by its financial intelligence unit (FIU), the National Financial Information Processing Center (CENTIF). CENTIF analyzes suspicious transaction reports (STRs) as well as reports of attempts to transport money across borders in excess of the amounts allowed by law. CENTIF lacks full operational autonomy and is inadequately resourced. In 2013, CENTIF became a member of the Egmont Group of FIUs.

Investigating magistrates, police, and customs have little expertise in AML/CFT matters. In addition to a lack of capacity on the investigative side, Togo has difficulty pursuing prosecutions due to an inefficient and overburdened court system. Corruption in government and all levels of society presents further obstacles.

Togo's terrorism financing law does not comport with international standards. Additionally, although Togo's AML/CFT laws include KYC provisions, most covered entities are not aware of the requirements and compliance is negligible. Also, some designated non-financial businesses and professions are not subject to supervisory oversight for AML/CFT purposes.

Tonga

Tonga is an archipelago located in the South Pacific. With only three commercial banks, Tonga is neither a financial center nor an offshore jurisdiction. Although remittances from Tongans living and working abroad have declined in recent years, they remain the largest source of hard currency earnings, followed by tourism.

Historically, Tonga has not been a major narcotics transit point, but during 2012, a substantial amount of cocaine was recovered, apparently en route to Australia. There were allegations that Tongan citizens may have links to transnational drug cartels, but the scale of this is unknown. Local police authorities deem Tonga to be vulnerable to smuggling and money laundering due to inadequate border controls.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

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CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** NO ***Domestic:*** NO
KYC covered entities: Banks, foreign exchange dealers, money lenders, Tonga Development Bank, credit unions, insurance companies and intermediaries, Retirement Fund Board, accountants, lawyers, real estate agents, securities dealers, casinos, sellers of payment instruments, and trustees

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 14: January - November 2013

Number of CTRs received and time frame: Not available

STR covered entities: Banks, foreign exchange dealers, money lenders, Tonga Development Bank, credit unions, insurance companies and intermediaries, Retirement Fund Board, accountants, lawyers, real estate agents, securities dealers, casinos, sellers of payment instruments, and trustees

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO ***Other mechanism:*** NO

With other governments/jurisdictions: NO

Tonga is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at:

<http://www.apgml.org/members-and-observers/members/details.aspx?m=ca53cb77-4860-4c42-8fe1-2e059b71d54b>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Tongan Transaction Reporting Authority (TRA) is generally vested with the authorities of a financial intelligence unit, although there are some serious limitations in its powers. The TRA functions under the Money Laundering and Proceeds of Crime Act (MLPCA). TRA has received assistance in its analysis and intelligence management skills from various international experts. TRA has provided awareness training to banks and foreign exchange dealers, as required by the MLPCA.

Of the 14 suspicious transaction reports (STRs) filed in the current calendar year, seven were forwarded to the police for further investigation. Other STRs were forwarded to other law enforcement authorities, such as the Minister of Revenue for possible tax evasion, and Immigration for possible breach of immigration laws. The signing of a memorandum of understanding among the members of the Cabinet Committee on AML/CFT could result in the

dissemination of STR information to other law enforcement agencies, which should help to improve the sharing of information and assist with the enforcement of AML/CFT-related laws and regulations. Tongan authorities expect this MOU may be signed by January 2014.

Relevant Tongan legislation regarding money laundering and terrorism financing does not expressly provide for international cooperation and coordination, which is therefore based on policy and practice. In practice, information sharing with some parts of the international community has been good.

The primary limitation to detecting money laundering in Tonga is the lack of technical and experienced staff and staffing restraints at key AML/CFT agencies, including the TRA and the Tonga Police Transnational Crimes Unit. The lack of resources results in a lack of monitoring and in-depth investigation of suspicious transactions, and an absence of prosecutions. A related issue is that the investigators may not be aware of new money laundering methodologies.

The Government of Tonga should become a party to the United Nations Convention against Corruption and the United Nations Convention against Transnational Organized Crime.

Trinidad and Tobago

Trinidad and Tobago (TT)'s close proximity to drug producing countries, stable economy, and developed financial systems make it a target for criminals looking to launder money. Proceeds from drug trafficking, illegal arms sales, fraud, tax evasion, and public corruption are the most common sources of laundered funds. Criminal assets laundered in TT are derived from domestic and international criminal activity. Drug trafficking organizations and organized crime entities, operating locally and internationally, control the majority of illicit proceeds moving through the country.

TT's AML/CFT regime is not yet able to quantify the extent to which fraud and public corruption contribute to money laundering. Fraud and waste in government procurement is common, but rarely proven. The failure to prosecute financial crimes successfully has a corrosive impact on the integrity of public finances and may encourage others to engage in financial crimes.

There is a significant black market for smuggled goods, including diesel fuel and firearms. The media regularly reports on the discovery of illegal diesel storage tanks buried near shore that fuel the illicit trade in subsidized diesel for ships in or near TT's territorial waters. In 2012, the Energy Minister estimated the value of this trade at over \$150 million annually. Law enforcement sources indicate proceeds from the black market sale of firearms smuggled into TT rival proceeds from local drug sales.

TT does not have a significant traditional offshore banking sector. The banking system is one of the strongest and most efficient in the region. According to information from financial institutions and legal analysts, financial crimes in general are increasing, particularly those involving the use of fraudulent checks, wire transfers, and financial instruments in the banking

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sector. Currency transactions below the suspicious transaction reporting (STR) threshold are common. The volume of money laundering in the offshore banking sector is unknown.

Money laundering may occur outside the traditional financial system. While public casinos and online gaming are illegal in TT, gamblers can take easy advantage of “private members’ clubs,” which move large amounts of cash under outdated regulatory supervision. Reports also suggest that certain local religious organizations are involved in money laundering. The extent to which alternative remittance services are a problem in TT is unclear.

There are six free trade zones (FTZs) in TT, where manufactured products are exported. Companies must present proof of legitimacy and are subject to background checks prior to being allowed to operate in the FTZs, and while operating are required to submit tax returns quarterly and audited financial statements yearly. There is no evidence the FTZs are involved in money laundering schemes.

Trinidad and Tobago Customs and Excise Division officials and STRs reviewed by the Trinidad and Tobago Financial Intelligence Unit (TTFIU) confirm trade-based money laundering occurs in TT. There are no indications to tie these activities directly to terrorism financing.

For additional information focusing on terrorist financing, please refer to the Department of State’s Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crime
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, credit unions, trust and company service providers, building societies, postal services, cash remitters, real estate developers, motor vehicle vendors, money or value transfer services, gaming houses, pool betting services, national lotteries, online betting games, jewelers, private members’ clubs, accountants, lawyers, independent legal professionals, and art dealers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 290: January – June 30, 2013

Number of CTRs received and time frame: Not available

STR covered entities: Banks, credit unions, trust and company service providers, building societies, postal services, cash remitters, real estate developers, motor vehicle vendors, money or value transfer services, gaming houses, pool betting services, national lotteries,

online betting games, jewelers, private members' clubs, accountants, lawyers, independent legal professionals, and art dealers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 1 in 2013

Convictions: 0 in 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES ***Other mechanism:*** YES

With other governments/jurisdictions: YES

Trinidad and Tobago is a member of the Caribbean Financial Action Task Force (CFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at:

https://www.cfatf-gafic.org/index.php?option=com_docman&Itemid=418&lang=en

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Trinidad and Tobago advanced efforts to strengthen its AML/CFT regime in 2013, but systemic vulnerabilities and indicators of money laundering remain. The government continued efforts to implement recommendations outlined in the AML/CFT Action Plan to address vulnerabilities in the AML/CFT regime. At the end of 2012, the government approved the Securities Act to tighten regulations in the securities sector to reduce the possibility of fraud and risk. Progress on the proposed Credit Union and Insurance bills to effect proper sector supervision slowed. Law enforcement agencies collectively detained and confiscated motor vehicles, real estate, and cash with a total asset value of over \$1 million between January and November 2013. To address critical vulnerabilities in the gaming sector, in September 2012, the Finance Minister committed to present a bill to regulate the gaming industry and replace the Gambling and Betting Act of 1963.

In 2013, the Egmont Group of FIUs accepted the TTFIU as a member. The TTFIU also established a mentorship arrangement with Canada's FIU, the Financial Transactions and Reports Analysis Center of Canada (FINTRAC). Through this partnership, TT obtained systems to prioritize and analyze STRs, and is working with FINTRAC to improve compliance and CFT analysis methodologies.

In 2013, the TTFIU continued to focus its AML/CFT implementation measures on effective operations. The TTFIU addressed previous concerns regarding staffing shortages by hiring additional personnel, and bolstered its analytical and compliance enforcement capabilities. Through its outreach program, the TTFIU provided guidance and feedback to supervised entities, and significantly improved the quality of STRs. Entities supervised by the TTFIU submitted STRs valuing \$18 million during the first six months of 2013. These reports accounted for two-thirds of the total number of reports processed by the TTFIU during the same period. In addition, the TTFIU took steps to apply a supervisory regime for designated non-financial businesses and professions by identifying and registering listed business activities and commencing on-site inspections. These combined actions resulted in the TTFIU initiating 312 sanctioning actions against non-compliant businesses during the first six months of 2013.

Insufficient staffing levels and investigative capacity within the TT Police Financial Investigations Bureau remain challenges. Progress on the country's first money laundering prosecution, initiated in 2012, is slow, but positive. Police financial investigators, the TTFIU and the Central Authority collaborated with U.S. federal investigators on an international tax evasion case. U.S. courts subsequently indicted an American businessman operating a private members' club in TT on charges of tax evasion, failing to file personal income taxes, and hiding nearly \$4 million in earnings from the U.S. Internal Revenue Service in bank accounts in TT and the United States.

Tunisia

Tunisia is not considered a regional financial center. Tunisia has strict currency exchange controls which authorities believe mitigate the risk of international money laundering. There is a low level of organized crime in Tunisia. The primary domestic criminal activities that generate laundered funds are clandestine immigration, trafficking in stolen vehicles, and narcotics. Weapons, narcotics, and suspect cash have been seized in many Tunisian cities, some of which are near the borders with Libya or Algeria. Reports of corruption and financial crimes have been increasing since the 2011 revolution. The smuggling of weapons and contraband through Tunisia is used to support terrorist groups including al-Qaida in the Islamic Maghreb.

Money laundering occurs through the financial sector, especially through informal economic activity involving smuggled goods. Since Tunisia has strict currency controls, it is likely that underground remittance systems such as hawala are prevalent. Trade-based money laundering is also a concern. Throughout the region, invoice manipulation and customs fraud are often involved in hawala counter-valuation. Tunisia has two free trade zones, in Bizerte and Zarzis. Tunisia has seven offshore banks and 1,844 offshore international business companies (IBCs), of which 1,146 include total or partial foreign ownership.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/i/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: **criminally:** YES **civilly:** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES

KYC covered entities: Banks, microfinance institutions, and financial intermediaries; company and asset managers; real estate brokers and agents; dealers of precious metals, jewels, precious stones, or high-value goods; and managers of casinos

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 249 in 2013

Number of CTRs received and time frame: Not available

STR covered entities: Banks, microfinance institutions, and financial intermediaries; company and asset managers; real estate brokers and agents; dealers of precious metals, jewels, precious stones, or high-value goods; and managers of casinos

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO **Other mechanism:** YES

With other governments/jurisdictions: YES

Tunisia is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.menafattf.org/images/UploadFiles/MENAFATF.7.07.E.P5R2%20_with%20response.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Tunisian Financial Analysis Commission (CTAF), a financial intelligence unit headed by the governor of the Central Bank, includes members representing the customs and police departments and the judiciary. CTAF lacks analytical capacity due to a lack of analytical staff as well as lack of training for the staff already in place.

Under Tunisian law, all offshore financial institutions are held to the same regulatory standards as onshore financial institutions and undergo the same due diligence process. Offshore financial institutions are licensed only after the Central Bank investigates their references and the Ministry of Finance approves their applications. Anonymous directors are not allowed. IBCs are subject to all regulatory requirements, except for tax requirements and currency convertibility restrictions. Tunisia prohibits bearer financial instruments or shares, as well as anonymous and numbered accounts.

The Government of Tunisia should continue to implement and enhance its AML/CFT regime. Officials should collect and disseminate statistics, such as prosecutions and convictions, to assist in measuring progress. Tunisian authorities should examine, update where needed, and enforce existing regulations on hawala, mobile phone banking, and other money and value transfer systems operating in Tunisia. Authorities should build their capacity to recognize and investigate trade-based money laundering and value transfer, and should examine underground finance and its possible link to money laundering and extremist finance.

Turkey

Turkey is an important regional financial center, particularly for Central Asia and the Caucasus, as well as for the Middle East and Eastern Europe. It continues to be a major transit route for Southwest Asian opiates moving to Europe. Narcotics trafficking is only one source of the funds laundered in Turkey, however. Other significant sources include smuggling, invoice fraud, tax evasion, and to a lesser extent, counterfeit goods, forgery, highway robbery, and kidnapping. Terrorism financing is prevalent, particularly in the form of cash flows across Turkey's southern border into Syria, and terrorist organizations with suspected involvement in narcotics trafficking and other illicit activities are present in Turkey.

Money laundering takes place in banks, non-bank financial institutions, and the underground economy. Informed observers estimate as much as one-third of economic activity is derived from unregistered businesses. Money laundering methods in Turkey include: the large scale cross-border smuggling of currency; bank transfers into and out of the country; trade fraud; and the purchase of high-value items such as real estate, gold, and luxury automobiles. Turkish-based traffickers transfer money and sometimes gold via couriers, the underground banking system, and bank transfers to pay narcotics suppliers in Pakistan or Afghanistan. Funds are often transferred to accounts in the United Arab Emirates, Pakistan, and other Middle Eastern countries.

The Government of Turkey's nonprofit sector is vulnerable to terrorism financing. Turkey's investigative powers, law enforcement capability, oversight, and outreach are weak and lacking in many of the necessary tools and expertise to effectively counter this threat through a comprehensive approach; all these areas need to be strengthened. The nonprofit sector is not audited on a regular basis for terrorism financing activity and does not receive adequate AML/CFT outreach or guidance from the government, although the financial intelligence unit, the Financial Crimes Investigation Board (MASAK), has increased education efforts. The General Director of Foundations issues licenses for and oversees charitable foundations. However, there are an insufficient number of auditors to cover more than 70,000 institutions.

The FATF first included Turkey in its Public Statement in 2010, for Turkey's lack of adequate terrorism financing legislation and the lack of a legal framework within which to freeze terrorist assets. In 2013, Turkey took legislative action to improve its compliance with international standards. In its October 18, 2013 Public Statement, FATF recognized Turkey's progress, but noted Turkey still has strategic deficiencies that need to be addressed.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: NO Domestic: NO

KYC covered entities: Banks, the Central Bank, post office banks, and money exchanges; issuers of payment and credit cards; lending, financial leasing, custody, settlement, and factoring companies; securities brokers, investment partnerships, and fund and asset managers; insurance, reinsurance and pension companies, and insurance and reinsurance brokers; Islamic financial houses; Directorate General of the Turkish Mint and precious metals exchange intermediaries; auctioneers, and dealers of precious metals, stones, jewelry, all types of transportation vehicles, art and antiquities; lawyers, accountants, auditors, and notaries; sports clubs; lottery and betting operators; and post and cargo companies

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 15,318 in 2012

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks, the Central Bank, post office banks, and money exchanges; brokerage houses, investment houses, insurance companies, reinsurers, asset management companies, and leasing companies; realtors, auctioneers, and dealers of precious metals, stones, jewelry, all types of transportation vehicles, art and antiquities; lawyers, accountants, auditors, and notaries; sports clubs; lottery and betting operators; and post and cargo companies

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES *Other mechanism:* YES

With other governments/jurisdictions: YES

Turkey is a member of the FATF. Its most recent mutual evaluation can be found at:

<http://www.fatf-gafi.org/countries/s-t/turkey/>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Turkey has taken steps toward improving its CFT regime, including by passing a new terrorism finance law in February 2013, followed by an implementing regulation in May 2013. Turkey should take further steps to implement an adequate legal framework for identifying and freezing terrorist assets under UNSCRs 1267 and 1373. Turkey also should ensure terrorism financing has been adequately criminalized.

Other significant weaknesses exist in Turkey's AML/CFT regime that should be addressed. These include: improving customer due diligence; making politically exposed persons (PEPs) subject to enhanced due diligence; ensuring cross-border wire transfers and cash transfers are recorded in accordance with international standards; ensuring designated non-financial businesses and professions are scrutinized and are subject to reporting requirements; and increasing the capacity of MASAK to allow greater data collection and analysis. To improve the deficiencies in its AML/CFT framework and implementation, Turkey will need to invest additional resources.

Turkey has not kept statistics on prosecutions and convictions since 2009. In 2009, there were 15 prosecutions and three convictions. Since 2009, the MASAK, submitted 998 notifications of crime to the Public Prosecutor's office; of these, 177 were made in 2011 and 275 were made in 2012. Turkey should introduce more transparency and accountability in its AML/CFT regime by resuming its retention and reporting of statistics related to prosecutions and convictions.

Turkmenistan

Turkmenistan is not an important regional financial center. There are only five international banks and a small, underdeveloped domestic financial sector. The country's significant mineral wealth is paid for through offshore accounts with little public scrutiny or accounting.

Given Turkmenistan's shared borders with Afghanistan and Iran, money laundering in the country could involve proceeds from the trafficking and trade of illicit narcotics (primarily opium and heroin) as well as those derived from domestic criminal activities. Although there is no information on cash smuggling, gasoline and other commodities are routinely smuggled across the national borders. The two casinos operating in Turkmenistan, managed by Turkish companies, could be vulnerable to financial fraud and money laundering activity.

There are no offshore centers in the country. In 2007, Turkmenistan introduced the Awaza (or Avaza) Tourist Zone (ATZ) to promote the development of its Caspian Sea coast. Amendments to the tax code exempt construction and installation of tourist facilities in the ATZ from value added tax (VAT). Various services offered at tourist facilities, including catering and accommodations, are also VAT-exempt.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: criminally: NO civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: **Foreign:** YES **Domestic:** YES

KYC covered entities: Banks, money exchangers, and money remitters; postal service operators; leasing companies; securities brokers and intermediaries; insurance institutions; portfolio and asset managers; precious metals and stones dealers; accountants, lawyers, notaries, and other legal professionals; real estate agents; lottery or gaming entities; charitable foundations; State registrars; and pawnshops

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not available

STR covered entities: Banks, credit institutions, money remitters, foreign currency dealers, and money exchangers; professional participants in the securities market, commodity exchanges, and firms taking cash payments for investments; leasing organizations; insurance organizations; precious metals and stones dealers; accountants, lawyers, notaries, and other legal professionals; real estate agents; lottery or gaming entities; charitable foundations; and pawnshops

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** NO *Other mechanism:* NO

With other governments/jurisdictions: YES

Turkmenistan is a member of the Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.eurasiangroup.org/mers.php>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Inter-Agency Coordination Working Committee for combating money laundering and terrorism financing operates under the Ministry of Finance. The Government of Turkmenistan has increased its efforts to equip financial intelligence unit officials with computer software designed to perform link analysis. International experts have seen positive movement in the country's AML/CFT actions.

Turkmenistan's legal system provides for protection and exemption from liability for reports to the specially authorized government agency and sets limitations on disclosure of information financial institutions obtain in the process of performance of their AML/CFT obligations

Foreign embassies provide terrorist financing information regarding UN- and U.S.-designated individuals and organizations subject to asset freezing to the Ministry of Foreign Affairs, which distributes it to other relevant agencies. While laws exist, the government does not have an

independent system or mechanism for freezing terrorist assets. There are no reports that authorities identified, froze, seized, or forfeited assets related to terrorist financing in 2013.

The government should continue to work with international advisors to put in place an AML/CFT regime that comports with international standards. Turkmenistan should enact a safe harbor provision to protect filers of STRs from being subject to civil or criminal liability. Turkmenistan's law enforcement, customs, and border authorities need continuing assistance to recognize and combat money laundering and terrorism financing.

Turks and Caicos

The Turks and Caicos Islands is a British Overseas Territory. The economy depends greatly on tourism and the well-developed financial sector. Financial services accounted for almost 30 percent of GDP. The Turks and Caicos Islands is vulnerable to money laundering due to its significant offshore financial services sector and notable deficiencies in its AML/CFT regime. Corruption is a problem and the country's geographic location makes it a transshipment point for narcotics traffickers.

Financial services supervision is conducted by the Turks and Caicos Islands Financial Services Commission (TCIFSC). The Commission is an independent statutory body tasked with supervising the financial services sector, and is responsible for the oversight of company formation and registration. The TCIFSC licenses and supervises banks, money transmitters, mutual funds and funds administrators, investment dealers, trust companies, insurance companies and agents, company service providers, international business companies (IBCs), and designated non-financial businesses.

According to TCIFSC's website, there are seven licensed banks, five licensed money transmitters, 12 licensed trust companies, six international insurance managers and 22 domestic insurance companies. As of November 2011, there were 5,291 insurance companies, and at the end of 2011, 9,871 "exempt companies," or IBCs, were included in the Companies Registry. There are two casinos. Trust legislation allows for asset protection trusts insulating assets from civil adjudication by foreign governments; therefore, Turks and Caicos Islands remains something of a tax haven for foreign criminals seeking to evade domestic tax reporting requirements. The Superintendent of Trustees has investigative powers and has the authority to assist overseas regulators.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: **criminally:** YES **civilly:** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: **Foreign:** YES **Domestic:** YES

KYC covered entities: Banks, credit card services, company managers, domestic insurance companies, insurance brokers/agents, investment dealers, money transmitters, mutual funds, professional trustees, dealers in high-value goods, dealers in precious metals and stones, estate agents, casinos, accountants, auditors, and lawyers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: 0

STR covered entities: Banks, credit card services, company managers, domestic insurance companies, insurance brokers/agents, investment dealers, money transmitters, mutual funds, professional trustees, dealers in high-value goods, dealers in precious metals and stones, estate agents, casinos, accountants, auditors, and lawyers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: 0

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES **Other mechanism:** YES

With other governments/jurisdictions: YES

The Turks and Caicos Islands is a member of the Caribbean Financial Action Task Force (CFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at:
https://www.cfatf-gafic.org/index.php?option=com_docman&Itemid=418&lang=en

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In 2013, the TCIFSC released a notice that succeeds the Proceeds of Crime Ordinance of 2007 and The Anti-Money Laundering and Prevention of Terrorist Financing Regulations of 2010. The 2013 notice requires the registration of independent legal professionals, high-value item dealers, and all persons providing accounting or auditing services.

The Government of the Turks and Caicos Islands does not produce or regularly release reports containing statistics on STRs, trends and typologies. AML/CFT reporting and compliance responsibilities of designated non-financial businesses and professions should be more clearly articulated, in particular for casinos. The Turks and Caicos Islands should strengthen cross-border currency controls and disseminate information on designated terrorists more effectively. The government should consider implementing domestic provisions to allow for the enforcement of foreign restraining and confiscation orders and the sharing of confiscated assets.

A British Overseas Territory, the government of the Turks and Caicos Islands cannot sign or ratify international conventions in its own right; the UK is responsible for international affairs and must arrange for the ratification of any convention to be extended to the Turks and Caicos Islands. The 1988 Drug Convention was extended to the Turks and Caicos Islands in 1995. The UN Convention against Corruption, the International Convention for the Suppression of the Financing of Terrorism, and the UN Convention against Transnational Organized Crime (UNTOC) have not been extended to the Turks and Caicos Islands. The UNTOC is effectively in place via the United Kingdom Orders in Council, which have legislative effect in the Turks and Caicos Islands.

Uganda

A 2012 report by the Center on Global Counterterrorism Cooperation concludes that Uganda is “deeply vulnerable to money laundering and terrorist financing” and that “money laundering is rampant in the country.” Officials in the Ministry of Finance and Bank of Uganda (BOU) agree with this assessment and are lobbying hard for passage of Uganda’s long-stalled comprehensive anti-money laundering (AML) legislation. Money laundering in Uganda derives largely from government corruption, misappropriation of public funds and foreign assistance, and abuse of the public procurement process. Other widespread offenses for money laundering in Uganda include arms and natural resource smuggling, exchange control violations, and human trafficking.

Uganda’s enormous cash-based informal economy provides a fertile environment for money laundering, as does its lack of anti-counterfeiting legislation which feeds a large black market for smuggled and/or counterfeit goods. Currently, most laundered money comes from domestic proceeds. However, Uganda’s inability to monitor formal and informal financial transactions, particularly along porous borders with Sudan, Kenya, Tanzania, and the Democratic Republic of Congo, render Uganda vulnerable to more advanced money laundering activities and potential terrorist financing. Uganda’s black market takes advantage of these borders and the lack of customs and tax collection enforcement capacity. Annual remittances are Uganda’s largest single source of foreign currency.

For additional information focusing on terrorist financing, please refer to the Department of State’s Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: Not applicable
Are legal persons covered: ***criminally:*** NO ***civilly:*** NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** NO ***Domestic:*** NO

KYC covered entities: Banks, finance companies, microfinance institutions, foreign exchange bureaus, insurance companies, and the securities sector

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not available

STR covered entities: Banks, finance companies, microfinance institutions, foreign exchange bureaus, insurance companies, and the securities sector

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0

Convictions: 0

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO **Other mechanism:** NO

With other governments/jurisdictions: NO

Uganda is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here: http://www.esaamlg.org/userfiles/UGANDA_MER1.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Ugandan efforts to combat money laundering are limited by the lack of comprehensive AML legislation, severe resource constraints, and internal government corruption. Uganda has not criminalized money laundering. Uganda's Anti-Money Laundering Committee, which comprises multiple Government of Uganda (GOU) ministries and is chaired by the BOU, drafted a comprehensive AML bill approved by the Cabinet in January 2005. However, it remains stalled in Parliament, where there is little political will to pass it. The Ministry of Finance and BOU co-hosted a two-day sensitization workshop for Parliamentarians in December 2012 to try to create the political will to pass the bill. Uganda is ranked 130 out of 176 countries surveyed in Transparency International's 2012 Corruption Perception Index.

Current efforts to combat money laundering are piecemeal and based on other legislation such as the Anti-Terrorist Act of 2002 and the Financial Institutions Act of 2004. The Anti-Terrorist Act makes terrorist financing illegal, but does not place it in the overarching framework of money laundering. There is no evidence it has been used to effectively prosecute financiers of terrorism. There is no suspicious transaction reporting (STR) requirement for suspected terrorist financing under this act.

The BOU has statutory authority to set KYC and STR requirements for financial institutions, foreign exchange bureaus, and deposit-taking microfinance institutions. The BOU mandates KYC programs and receives STR reports from financial institutions and foreign exchange bureaus, but does not closely monitor remittances or foreign exchange bureaus. The BOU does not keep data on filed reports, and no other government entity receives them. The Financial Institutions Act provides the BOU with the ability to freeze accounts which are believed to be the

proceeds of crime. However, the Act does not provide procedures for either asset forfeiture or releasing funds. The Insurance Commission and Capital Markets Authority also have KYC and STR guidelines for their regulated entities, but no firm regulations.

The Criminal Investigations Department (CID) of the Ugandan Police Force is understaffed and lacks adequate training in financial investigation techniques related to money laundering and terrorist financing. Internal corruption within the CID also hampers police investigative capacity. According to GOU officials, criminals often have access to technology that is more sophisticated than that available to police investigators.

In 2011, the Uganda Revenue Authority (URA) decided to implement a new policy requiring anyone involved in real estate purchases valued at more than \$20,000 to declare their source of income. However, the policy is controversial and it is unclear when or if the URA will begin enforcing it.

The GOU should pass the long delayed AML legislation and work with the international community to put in place an anti-money laundering/counter-terrorist financing regime that comports with international standards.

Ukraine

Although Ukraine does not have a regional banking or financial center, it has had close ties with other European banks. Recently, however, several international banks have pulled out of the country. In Ukraine, high risks of money laundering have been identified in foreign economic activities, credit and finance, the fuel and energy industry, and the metal and mineral resources market. Illicit proceeds are primarily generated through corruption; fictitious entrepreneurship and fraud; trafficking in drugs, arms, or persons; organized crime; prostitution; cybercrime; and tax evasion.

The large shadow economy represents a significant vulnerability. An additional vulnerability is the level of corruption throughout society – both in the private and public sectors. The high level of corruption in the financial sector allows banking regulations to be bypassed or ignored.

Transnational organized crime syndicates are also present and both transit the country and conduct business in Ukraine. They are involved in drug trafficking, economic crimes, cigarette smuggling, trafficking in persons, public corruption, real estate and other frauds, violent crimes, and extortions. They are able to operate in Ukraine due to the corruption of the justice system.

Money launderers use various methodologies, including real estate, insurance, bulk cash smuggling, shell companies, and financial institutions. There is a significant market for smuggled goods and a large informal financial sector in Ukraine. These activities are linked to evasion of taxes and customs duties. As many Ukrainians work abroad, worker remittances using banking transfers or via international payment systems amounted to approximately \$5.3 billion in the first nine months of 2013. However, not all worker remittances come through banking channels. The State Financial Monitoring Service acknowledges the existence and use of alternative remittance systems in Ukraine.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** NO ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** NO
KYC covered entities: Banks, insurance companies, gaming institutions, credit unions, depositories, securities traders, registers, pawn shops, mail service operators and other operators conducting money transfers or foreign exchange, real estate traders, certain traders of precious metals and stones, notaries, auditors, independent lawyers, leasing providers, and private entrepreneurs

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 178,192 in 2012

Number of CTRs received and time frame: 290,608 in 2012

STR covered entities: Banks, insurance companies, gaming institutions, credit unions, depositories, securities traders, registers, pawn shops, mail service operators and other operators conducting money transfers or foreign exchange, real estate traders, certain traders of precious metals and stones, notaries, auditors, independent lawyers, leasing providers, and private entrepreneurs

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 72 in 2013

Convictions: 36: January - September 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** YES ***Other mechanism:*** YES

With other governments/jurisdictions: YES

Ukraine is a member of the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body. Its most recent mutual evaluation can be found at:

http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Ukraine_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

While the Government of Ukraine has made some progress in strengthening its AML/CFT regime, it still needs to improve many aspects, such as enhancing due diligence requirements for domestic politically exposed persons (PEPs), addressing the criminal liability of legal persons, and including natural persons in the definition of beneficial ownership. Ukraine also should address the rise of cybercrime and related transnational organized criminal activities by examining the significant amounts of U.S. currency which appear to be diverted into this region using financial institutions. Ukraine should increase its investigations of large-scale corruption and money laundering schemes. It also should improve implementation of its provisions for asset freezing, confiscation, and forfeiture.

While Ukraine has signed and ratified the necessary treaties, implementation is weak in many instances. This is particularly true in the area of international law enforcement cooperation, mutual legal assistance, and asset forfeiture. Ukraine should work aggressively to implement its treaty obligations.

United Arab Emirates

The United Arab Emirates (UAE) has long thrived as a regional hub for trade and financial activity. In recent years, its robust economic development, political stability, and liberal business environment have attracted a massive influx of people, goods, and capital, which may leave the country vulnerable to money laundering activity. Dubai, especially, is a major international banking and trading center that has aggressively sought to expand its financial services business.

Risks associated with exchange houses, hawaladars, and trading companies in the UAE have received significant attention. With an immigrant population of upwards of 80 percent, money remittance is a pillar of the local economy. Since formal financial services are limited in large parts of many guest workers' home countries, hawaladars are prevalent in the UAE. There are some indications that trade-based money laundering occurs in the UAE - including through commodities used as counter-valuation in hawala transactions or through trading companies - and that such activity might support sanctions evasion networks and terrorist groups in Afghanistan, Pakistan, and Somalia. Money laundering associated with terrorist and extremist groups includes both fund-raising and transferring funds. Bulk cash smuggling is also a significant problem.

A portion of the money laundering/terrorist financing (ML/TF) activity in the UAE is likely related to proceeds from illegal narcotics produced in South West Asia. Narcotics traffickers from Afghanistan, where most of the world's opium is produced, are increasingly reported to be attracted to the UAE's financial and trade centers. Financial networks operating both in and outside the UAE almost certainly control the funds. Domestic public corruption contributes little to money laundering or terrorism financing.

Other money laundering vulnerabilities in the UAE include exploitation of cash couriers, the real estate sector, and the misuse of the international gold and diamond trade. The country also has an extensive offshore financial center, with another under development in Abu Dhabi, and 34 free trade zones (FTZs). There are over 5,000 multinational companies located in the FTZs and

thousands more individual trading companies. Companies located in the FTZs are considered offshore or foreign entities for legal purposes. UAE law prohibits the establishment of shell companies and trusts.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach

Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES

KYC covered entities: Banks, insurance companies, exchange houses, and securities traders

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 2,576 in 2012

Number of CTRs received and time frame: Not available

STR covered entities: Banks, insurance companies, exchange houses, and securities traders

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO ***Other mechanism:*** YES

With other governments/jurisdictions: YES

The UAE is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.menafatf.org/images/UploadFiles/UAEOptimized.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of the UAE continues to work on enhancing its AML/CFT program. In July 2012, the Central Bank issued new hawala regulations making hawala registration mandatory, extending customer due diligence and suspicious transaction reporting (STR) obligations to hawaladars, and stipulating sanctions for non-compliance. Circulars were also sent to all obligated entities reminding them of compliance obligations related to UN list-based sanctions programs and FATF high-risk jurisdictions. The Anti-Money Laundering Suspicious Cases Unit

(AMLSCU), the financial intelligence unit (FIU), issued cautionary notes to the public regarding dealing with unlicensed charitable associations and investment companies. Amendments to the AML Law, which have been in draft since 2010, have recently been discussed by the Ministerial Legislative Committee, as part of the final process for issuance. These amendments would expand the list of ML predicate offenses, among other improvements.

Several areas require ongoing action by the UAE. The UAE should increase the capacity and resources it devotes to investigation of ML/TF both federally at the AMLSCU and at emirate-level law enforcement. The AMLSCU also needs to enhance its financial information sharing capability to support cooperative efforts with counterpart FIUs. Enforcement of cash declaration regulations is weak. Law enforcement and customs officials should conduct more thorough inquiries into large declared and undeclared cash imports into the country, as well as enforce outbound declarations of cash and gold utilizing existing smuggling laws.

The UAE's tipping off provision has been expanded to include third parties and will be implemented by law, not regulation, if the amendments to the AML Law go into effect.

Law enforcement and customs officials should proactively develop cases based on investigations, rather than wait for STR-based case referrals from the AMLSCU. All facets of trade-based money laundering should be given greater scrutiny by UAE customs and law enforcement officials, including customs fraud, the trade in gold and precious gems, commodities used as counter-valuation in hawala transactions, and the abuse of trade to launder narcotics proceeds. The UAE has been considering moving forward with formulating a policy on all aspects of asset forfeiture, including asset sharing; it should take action to establish appropriate policies and procedures.

United Kingdom

The United Kingdom plays a leading role in European and world finance and remains attractive to money launderers because of the size, sophistication, and reputation of its financial markets. Although narcotics are still a major source of illegal proceeds for money laundering, the proceeds of other offenses, such as financial fraud and the smuggling of people and goods, have become increasingly important. The past few years have seen an increase in the movement of cash via the non-bank financial system as banks and mainstream financial institutions have tightened their controls and increased their vigilance. Money exchanges; cash smugglers (into and out of the UK); and traditional gatekeepers, including lawyers and accountants, are used to move and launder criminal proceeds. Also on the rise are credit/debit card fraud, internet fraud, and the purchase of high value assets to disguise illicit proceeds. Underground alternative remittance systems such as hawala are also common.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN

THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: **criminally:** YES **civilly:** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: **Foreign:** YES **Domestic:** NO

KYC covered entities: Banks, credit unions, building societies, money service businesses, e-money issuers, and credit institutions; insurance companies; securities and investment service providers and firms; independent legal professionals, auditors, accountants, tax advisors, and insolvency practitioners; estate agents; casinos; high value goods dealers; and trust or company service providers

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 316,527: October 2012 – September 2013

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks, credit unions, building societies, money service businesses, e-money issuers, and credit institutions; insurance companies; securities and investment service providers and firms; independent legal professionals, auditors, accountants, tax advisors, and insolvency practitioners; estate agents; casinos; high value goods dealers; and trust or company service providers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** YES **Other mechanism:** YES

With other governments/jurisdictions: YES

The United Kingdom is a member of the FATF. Its most recent mutual evaluation can be found at: <http://www.fatf-gafi.org/media/fatf/documents/reports/mer/FoR%20UK.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The United Kingdom has a comprehensive AML/CFT regime and is an active participant in multilateral efforts to counter transnational financial crimes. The UK reviews and assesses the effectiveness and proportionality of its AML/CFT regime – including through the approval of updated and more accessible industry guidance. Nevertheless, in 2012 and 2013, in cooperation with U.S. authorities, the British Financial Services Authority (FSA) put in place a 25-point regulatory plan with which a large British-based bank must comply. The bank also agreed to pay a record \$1.92 billion in fines to U.S. authorities for allowing itself to be used for several years to launder drug money flowing out of Mexico, and for other banking lapses, including transferring funds from countries under international sanctions.

The FSA was split into the Prudential Regulation Authority (PRA), in charge of prudential regulation of banks and insurers, and the new Financial Conduct Authority (FCA) in charge of consumer protection and the integrity of the UK's financial system. The FCA now has all financial crime responsibilities previously held by the FSA. The UK has worked to change and update its procedures to make compliance easier and more attractive under Her Majesty's Revenue & Customs Anti-Money Laundering Supervision Change Program. HM Treasury continues to work with the Home Office regarding the National Risk Assessment to provide sector-related insights and expertise.

There is no enhanced customer due diligence for British politically exposed persons (PEPs). The UK should consider changing its rules to ensure domestic PEPs are identified and, if appropriate, subject to increased due diligence requirements in accordance with international recommendations.

From 2012 – 2013, the UK recovered a total of £154.25 million (approximately \$253 million) in assets. This figure covers civil recovery, criminal confiscation, cash forfeiture, and taxation for England, Wales, and Northern Ireland.

A further revision of the Money Laundering Directive was published in February 2013 and is currently being negotiated at an EU-wide level. In 2013, the Serious Organized Crime Agency, which includes the UK financial intelligence unit, transitioned to the National Crime Agency.

Uruguay

Although the Government of Uruguay took affirmative steps to counter money laundering and terrorism financing activities, and continues to make progress in enforcement, Uruguay remains vulnerable to these threats. Uruguay has a highly dollarized economy, with the U.S. dollar often used as a business currency; about 75 percent of deposits and 50 percent of credits are denominated in U.S. dollars. Officials from the Uruguayan police and judiciary assess that Colombian criminal organizations are operating in Uruguay and Mexican criminal organizations are also likely present. There is continued concern about transnational organized crime originating in Brazil. In 2013, there were four high-profile cases related to the alleged laundering of funds from Argentina and Spain.

To the extent known, laundered criminal proceeds derive primarily from foreign activities related to drug trafficking organizations. Drug dealers also participate in other illicit activities like car theft and human trafficking, and violent crime is increasing. Publicized money laundering cases are primarily related to narcotics and/or involve the real estate sector. Public corruption does not seem to be a significant factor behind money laundering or terrorist financing. Uruguay has porous borders with Argentina and Brazil and, despite its small size, price differentials between Uruguay and neighboring countries support a market for smuggled goods. Bulk cash smuggling and trade-based money laundering likely occur, and there is no indication of ties to terrorism financing.

Given the longstanding free mobility of capital in Uruguay, the informal financial sector is practically non-existent. Money is likely laundered via the formal financial sector (onshore or offshore). Six offshore banks operate in Uruguay, three of which cannot initiate new operations since they are in the process of being liquidated. Offshore banks are subject to the same laws, regulations, and controls as local banks, with the government requiring licenses through a formal process that includes a background investigation of the principals. Offshore trusts are not allowed. Bearer shares may not be used in banks and institutions under the authority of the Central Bank, and any share transactions must be authorized by the Central Bank.

There are 13 free trade zones (FTZs) located throughout the country: three accommodate a variety of tenants offering a wide range of services, including financial services; two were created exclusively for the development of the pulp industry; one is dedicated to science and technology; and, the rest are devoted mainly to warehousing. Some of the warehouse-style FTZs and Montevideo's free port and airports are used as transit points for containers of counterfeit goods or raw materials bound for Brazil and Paraguay.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach
Are legal persons covered: ***criminally:*** NO ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES

KYC covered entities: Banks, currency exchange houses, stockbrokers, pension funds, insurance companies, casinos, art dealers, real estate and fiduciary companies, lawyers, accountants, and, other non-banking professionals that carry out financial transactions or manage commercial companies on behalf of third parties

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 218: January – October 2013

Number of CTRs received and time frame: 7.6 million: January – October 2013

STR covered entities: Banks; currency exchange houses; stockbrokers and pension funds; insurance companies; businesses that perform safekeeping, courier, or asset transfer services; professional trust managers; investment advisory services; casinos; real estate brokers and intermediaries; notaries; auctioneers; dealers in antiques, fine art, and precious metals or stones; FTZ operators; and, other persons who carry out transactions or administer corporations on behalf of third parties

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 40: January – July 2013

Convictions: 2: January – July 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES **Other mechanism:** YES

With other governments/jurisdictions: YES

Uruguay is a member of the Financial Action Task Force on Money Laundering in South America (GAFISUD), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.gafisud.info/pdf/InformeEMUUruguay09.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Uruguay continued making AML/CFT progress in 2013. Main developments include moving forward with implementing the 2012-2015 National Strategy against money laundering by compiling all AML/CFT laws and regulations into a single compendium and signing two tax information exchange agreements. In 2013, Uruguay increased the technical staff of the AML Secretariat and granted the body the authority to require all obligated entities to provide requested information. The judiciary created a working group to coordinate actions among judges, prosecutors, and the AML Secretariat, and the government continued analyzing the inclusion of tax evasion as a predicate crime for money laundering.

Although securities intermediaries and wire transferors/remitters are required to file STRs, over 96 percent of reports are still submitted by the financial sector. In 2012, the FIU designed a set of early warning indicators to use its comprehensive database more effectively.

Uruguay does not maintain annual public records on prosecutions, convictions, or amount of seized assets related exclusively to AML/CFT cases. In 2013, Uruguay participated in its first asset sharing case and the number of AML prosecutions increased. Money laundering prosecutions can take several years, and most end with a conviction. From 2005 until mid-2013, 283 individuals were prosecuted for laundering money. In the first half of 2013, 40 individuals were prosecuted compared with 47 individuals prosecuted in 2012. Most of the prosecutions were connected to human trafficking as a predicate crime.

In the first half of 2013, Uruguay seized approximately \$77,000 worth of vehicles and auctioned off \$67,000 worth of vehicles seized in previous years. Since 2007, the FIU froze funds on six occasions for a total of \$1.7 million; the FIU did not freeze any assets in 2013.

Uruguay should amend its legislation to provide for criminal liability for legal persons. It also should continue improving its statistics related to money laundering and should work with non-financial obligated entities, such as notaries or real estate brokers, to improve suspicious transaction reporting.

Uzbekistan

Uzbekistan's porous borders with Afghanistan and other Central Asian states allow for narcotics, money, and other goods to enter and exit the country. Uzbekistan is not a major regional financial center and does not have a well-developed financial system. Uzbekistan operates largely on a cash economy and with decentralized accounting systems, which makes money laundering difficult to detect.

Corruption, narcotics trafficking, and smuggling generate the majority of illicit proceeds. Local and regional drug trafficking and other organized criminal organizations control narcotics markets and proceeds from other criminal activities, such as smuggling of cash, high-value transferable assets (e.g., gold), goods, or automobiles. Uzbekistan is home to a significant black market for smuggled goods. This black market does not appear to be significantly funded by narcotics proceeds but can be used to launder drug-related money.

The large percentage of the migrant workers sending money to Uzbekistan may pose risks with regard to informal or alternative value systems; however, there is little publicly available information on these entities.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** NO ***civilly:*** NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** NO ***Domestic:*** NO
KYC covered entities: Banks, credit unions, microcredit institutions, securities brokers, members of the stock exchange, insurance brokers, leasing companies, money transfer companies, postal operators, dealers in precious metals and stones, real estate agents, notaries, lawyers, auditors, pawn shops, and lotteries

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 118,721 in 2011-2012

Number of CTRs received and time frame: 72,394 in 2011-2012

STR covered entities: Banks, credit unions, microcredit institutions, securities brokers, members of the stock exchange, insurance agents and brokers, leasing companies, money transfer companies, dealers in precious metals and stones, real estate agents, notaries, lawyers, auditors, pawn shops, and lotteries

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 94 in 2011-2012

Convictions: 87 in 2011-2012

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** NO **Other mechanism:** YES

With other governments/jurisdictions: YES

Uzbekistan is a member of the Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.eurasiangroup.org/mers.php>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Uzbekistan's legal system is generally susceptible to corruption and political influence. Since 2009, legislation to reestablish AML/CFT measures has been adopted piecemeal, leading to confusion from vague requirements, incomplete procedures, and occasional conflicts with banking regulations. Government secrecy surrounding cases and statistics inhibits evaluation. The Office of the Prosecutor General (OPG) attempts to maintain secrecy by not releasing the criteria for identifying suspicious transactions, even to banks. Fearing the consequences of not reporting criminal activity, banks adopted excessively cautious policies that have led to massive over-reporting since 2010.

Ambiguities in the law make it difficult to determine the division of authority among the OPG's Financial Intelligence Unit (FIU) and other law enforcement bodies in money laundering cases. Aside from the FIU, the Ministry of Internal Affairs and the National Security Service also investigate money laundering and terrorist finance, respectively, and both are making efforts to build financial crime departments.

The ability to freeze assets is limited; financial institutions can hold suspicious transactions for three business days, and the FIU can extend that by two days. After five business days the transaction must be resumed unless the assets can be seized as the result of a criminal case, leaving a very narrow window for investigation.

The Uzbek government currently is working with international donors to improve the AML/CFT legal framework and build national enforcement capacity. The U.S. Drug Enforcement Administration is currently negotiating a memorandum of understanding (MOU) with the OPG's FIU. The MOU will establish a legal foundation for joint counter-narcotics and terrorist-related financial investigative activities and exchange of intelligence.

Vanuatu

Vanuatu has a primarily agricultural and tourism-based economy that is developing; it is closely tied to the economies of Australia and New Zealand. Vanuatu has historically maintained strict bank secrecy provisions that have prevented law enforcement agencies from identifying the beneficial owners of entities registered in the offshore sector, making that sector vulnerable to money laundering. In recent years, Vanuatu strengthened domestic and offshore financial

regulation in response to international pressure, which led to a dramatic reduction in the number of offshore banks operating in Vanuatu.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/s/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Legal persons covered: ***Criminally:*** YES ***Civilly:*** NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, casinos, lawyers, notaries, accountants, trust and company service providers, car dealers, real estate agencies, and insurance and securities companies

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 76 in 2013
Number of CTRs received and time frame: 6,467 in 2013
STR covered entities: Banks, casinos, lawyers, notaries, accountants, trust and company service providers, car dealers, real estate agencies, and cash dealers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 1 in 2013
Convictions: 0

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO ***Other mechanism:*** YES
With other governments/jurisdictions: YES

Vanuatu is a member of Asia/Pacific Group on Money Laundering (APGML), a FATF-style regional body. Its most recent mutual evaluation can be found at:
<http://www.apgml.org/members-and-observers/members/member-documents.aspx?m=c1870a1f-0875-4c35-a49e-930df0f339b5>.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Two separate regulatory bodies have responsibility for regulating the offshore banking sector, the Reserve Bank of Vanuatu and the Vanuatu Financial Services Commission. They are supported by the financial intelligence unit (FIU), which is housed within the State Law Office. The FIU is charged with monitoring and controlling Vanuatu's AML regime, and investigates

financial crimes and suspicious transaction reports in close coordination with the Vanuatu Police Force (VPF) and Prosecutor's Office. The FIU does not have sufficient staff or financial and technical resources to effectively perform its duties, particularly in light of Vanuatu's enhanced AML/CFT legislation.

The VPF operates a Transnational Crime Unit, which is responsible for conducting investigations involving money laundering and terrorism financing offenses, the identification and seizure of criminal proceeds, and conducting investigations in cooperation with foreign jurisdictions. There have been no money laundering-related prosecutions in Vanuatu, making it difficult to assess the effectiveness of its legislation. In July 2012, four people were arrested for suspicion of money laundering and arms trafficking when a super yacht, dubbed "Phoebe" by the Vanuatu police, was detained in Port Vila's harbor. Photographs of Vanuatu government ministers aboard the yacht were found during the raid on the yacht, and the head of the police's Fraud Unit was suspended on suspicion of impeding the investigation and allowing the owner of the yacht to flee the country.

Vanuatu has a comprehensive legal framework for confiscating, freezing and seizing the proceeds of crime under Section 15 of the Proceeds of Crime Act (POCA). The structural framework for implementing this legislative power is compromised by a lack of coordination among responsible agencies as well as general unfamiliarity with the powers provided under the legislation. Similarly, a financial institution must immediately freeze the account of a terrorist entity; however, there is a lack of coordination and communication between the relevant government agencies in terms of identifying terrorist entities as designated in the UNSCRs and distributing such information.

The Government of Vanuatu should continue to implement all the provisions of its POCA and enact additional legislation, as necessary, to bring both its onshore and offshore financial sectors into compliance with international standards. The government also should establish appropriate mechanisms to ensure the immediate freezing of funds belonging to persons or entities designated under UNSCR 1267 and to ensure that lists of persons and entities so designated are distributed among financial institutions. Vanuatu should continue to initiate outreach to all reporting institutions regarding their legal obligations and should ensure that its enforcement agencies – principally the FIU, police, Prosecutor's Office, and Customs and Inland Revenue Department – are sufficiently resourced to be able to gather evidence, mount investigations, and bring charges.

Legislatively, Vanuatu should establish requirements for financial institutions to address risks arising from new or developing technologies, and businesses operating via internet accounts. Vanuatu should also develop and implement a comprehensive system for the declaration or disclosure of the cross border transportation of cash.

Venezuela

Venezuela is a major cocaine transit country. The country's proximity to drug producing countries, weaknesses in its AML regime, limited bilateral cooperation, and substantial corruption in law enforcement and other relevant sectors continue to make Venezuela vulnerable

to money laundering. The main sources of money laundering are proceeds generated by drug trafficking organizations and abuse of Venezuela's government-controlled foreign-currency allocation mechanisms.

Money laundering occurs through commercial banks, exchange houses, gambling sites, fraudulently invoiced foreign trade transactions, smuggling, real estate, agriculture and livestock businesses, securities transactions, and trade in precious metals. Trade-based money laundering remains a prominent method for laundering regional narcotics proceeds. Converting narcotics-generated dollars into Venezuelan bolivars and then back into dollars is no longer attractive for money-laundering purposes given Venezuela's rampant inflation (approximately 50 percent in 2013) and the current bureaucratic challenges for converting bolivars into dollars.

In February 2013, following positive action to improve noted weaknesses, the FATF removed Venezuela from the list of countries with strategic AML/CFT deficiencies.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, leasing companies, money market and risk capital funds, savings and loans, foreign exchange operators, regulated financial groups, and credit card operators; hotels and tourist institutions that provide foreign exchange; general warehouses or storage companies; securities and insurance entities; casinos, bingo halls, and slot machine operators; and notaries and public registration offices

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 1917 in 2012
Number of CTRs received and time frame: Not available
STR covered entities: Banks, leasing companies, money market funds, savings and loans, foreign exchange operators, regulated financial groups, and credit card operators; hotels and tourist institutions that provide foreign exchange; general warehouses or storage companies; securities and insurance entities; casinos, bingo halls, and slot machine operators; and notaries and public registration offices

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 134 in 2012

Convictions: 78 in 2012

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES **Other mechanism:** YES

With other governments/jurisdictions: YES

Venezuela is a member of the Caribbean Financial Action Task Force (CFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at:

https://www.cfatf-gafic.org/index.php?option=com_docman&task=cat_view&gid=328&Itemid=418&lang=en

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Venezuela implemented its 2010 action plan and improved AML/CFT deficiencies. Venezuela's executive branch approved regulations that strengthen the supervision of banks and securities intermediaries through the Superintendent of Banking Sector Institutions (SUDEBAN) and the National Superintendent of Securities, respectively. In the banking sector, the regulations require enhanced due diligence for higher-risk activities, customer profiles, and categories of customers – distinctions that did not exist prior to these regulations. In the securities sector, the regulations require securities intermediaries to determine the origin and destination of funds, conduct comprehensive customer due diligence, appoint compliance officers, maintain internal committees for prevention and control of money laundering, and have a code of ethics. However, the effectiveness of the 2012 Organic Law Against Organized Crime and the Financing of Terrorism that defines and sanctions both organized crime and terrorist financing remains compromised by the politicized judicial system.

The June 2012 Joint Resolution Number 122 and the August 2012 Resolution Number 158, grant the government the ability to freeze terrorist assets.

The SUDEBAN supervises Venezuela's financial intelligence unit (UNIF). The UNIF should operate autonomously, independent of undue influence. The National Office against Organized Crime and Terrorist Finance has limited operational capacity. Venezuela should increase institutional infrastructure and technical capacity to effectively implement AML/CFT legislation and legal mechanisms.

The U.S. Department of the Treasury Financial Crimes Enforcement Network (FinCEN) continues to suspend the exchange of information with UNIF, after the unauthorized disclosure of information provided by FinCEN in January 2007.

Vietnam

Vietnam, although not considered a major regional financial center, is a site of money laundering activity. Vietnam's economy is largely cash-based. In 2013 the government enacted policies that reduced the use of gold as a means of exchange and storing value. The government is considering similar policies aimed at reducing the use of U.S. dollars. Sources of illicit funds in

Vietnam include public corruption, fraud, prostitution, counterfeiting of goods and trading in counterfeit merchandise, illegal wildlife trade, and trafficking in persons. Remittances from the proceeds of narcotics trafficking in Australia, Canada, the UK, and the United States are a significant source of money laundering, as are narcotics proceeds from traffickers using Vietnam as a transit country.

Vietnam's banking sector is partially privatized. The state maintains controlling interests in five banks that collectively represent at least 50 percent of total assets in the banking system. Because of widespread cross-ownership between state-owned enterprises and banks, the true level of state control of banking system assets is indeterminable but likely higher than 50 percent. There are no signs the state intends to relinquish this level of control. State-controlled banks are employed as tools for carrying out state policies, which include giving preferential treatment to state-owned enterprises, many of which are related through interlocking directorates. Almost all trade and investment receipts and expenditures are processed by the banking system, but transactions are not monitored effectively. As a result, the banking system is at relatively higher risk of being used for money laundering through false declarations, including fictitious investment transactions. Customs fraud and the over- or under-invoicing of exports and imports are common and could be indicators of trade-based money laundering. Real property is also believed to play a significant role in the money laundering process.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: criminally: NO civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: NO

KYC covered entities: Banks; insurers; foreign exchange houses; fund, investment, and business management services; games of chance, casinos, or lotteries; real estate trading service companies; traders in gold, silver, and precious stones; lawyers and legal service providers; financial and accounting advisors; and corporate secretarial services

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 670: January 1 - November 30, 2013

Number of CTRs received and time frame: 23 million in 2013

STR covered entities: Banks; insurers; foreign exchange houses; fund, investment, and business management services; games of chance, casinos, or lotteries; real estate trading

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service companies; traders in gold, silver, and precious stones; lawyers and legal service providers; financial and accounting advisors; and corporate secretarial services

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO **Other mechanism:** YES

With other governments/jurisdictions: YES

Vietnam is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at:

<http://apgml.org/documents/search-results.aspx?keywords=vietnam>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Vietnam has issued various decrees to criminalize money laundering and terrorism financing, establish procedures to identify and freeze terrorist assets, improve the AML/CFT supervisory framework, enhance customer due diligence and reporting, and strengthen international cooperation. On October 11, 2013, Vietnam enacted a new decree on AML that analysts say generally does not provide any new substantive provisions but instead clarifies articles of the AML Law, providing various new definitions and implementation guidance.

Legal persons are not subject to criminal liability under the penal code. Vietnam currently has no plans to impose criminal liability on legal persons because of perceived conflicts with fundamental principles of domestic law. Vietnam should remedy this gap to be in full conformance with international standards.

While the government has criminalized terrorism financing, gaps remain, in particular related to collection and provision of funds for specific terrorist acts and the ability to freeze funds used to finance terrorists. Vietnam does not have a comprehensive system for implementing UNSCRs 1267 or 1373 and lacks a system for freezing terrorist assets in accordance with these resolutions.

Suspicious transaction reports (STRs) and currency transaction reports (CTRs) are filed with the Anti-Money Laundering Department (AMLD) of the State Bank of Vietnam (SBV). Given the size of Vietnam's economy, the number of reports received is low and suggests a correspondingly low level of STR compliance. All STRs are received in paper form. The AMLD claims to have an electronic database and analysis system for sharing information with domestic law enforcement authorities to help investigate and prosecute money laundering, trade fraud, and financial crimes, but international officials have not seen any evidence of the existence of such an electronic system. Moreover, while the government claims that information exchanges have occurred with several foreign financial intelligence units, these appear to involve receipt rather than provision of information.

While the government regulates customer identification and the collection of customer details and documents, it does not explicitly require verification of a customer's identity, unless the financial institution becomes "suspicious." There are implementing circulars promulgated by regulatory bodies that include provisions for enhanced due diligence, including verification of identity in situations where such verification is required. An SBV circular addresses politically exposed persons (PEPs); however, this circular applies only to entities regulated by the SBV.

Additional deterrents to a more effective government response to money laundering are lack of political will, resource constraints, corruption, and cultural resistance to seizing assets. Vietnam should complete the implementation of its action plan expeditiously and within the proposed timeframe. The government should also complete drafting its anti-terrorism law and comprehensively criminalize terrorism financing.

Yemen

Yemen is not considered a regional financial center. The financial system in Yemen is underdeveloped, and the extent of money laundering is not well known. Government and commercial corruption, substantial politicization of government institutions, a largely cash-based economy, and lax government enforcement of existing laws and regulations render Yemen vulnerable to money laundering and other financial abuses—including terrorism financing.

The profitability of the smuggling of goods and contraband has led to a large informal economy in Yemen. Criminal proceeds in Yemen tend to emanate from foreign criminal activity, including smuggling by criminal networks and terrorist groups operating locally. There have been a number of U.S. investigations of qat smuggling from Yemen and East Africa into the United States, with profits laundered and repatriated via hawala networks.

Yemen has a free trade zone (FTZ) in the port city of Aden. Identification requirements within the FTZ are enforced. Truckers must file the necessary paperwork in relevant trucking company offices and must wear identification badges. FTZ employees must undergo background checks by police, the Customs Authority and employers. There is no evidence the FTZ is being used for trade-based money laundering or terrorism financing schemes.

The FATF included Yemen in its October 18, 2013 Public Statement because Yemen has not made sufficient progress in implementing its AML/CFT action plan and continues to have certain strategic deficiencies. The FATF did note, however, that Yemen has taken significant steps toward improving its AML/CFT regime.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: List approach
Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: NO Domestic: YES

KYC covered entities: Banks, exchange companies, insurance companies, and fund transfer companies; General Post and Postal Savings Authority; real estate agents; gold and precious metal dealers; public notaries, lawyers, and accountants; financial and investment services companies; and various government ministries, including the Central Organization for Control and Audit, Central Bank of Yemen, and Ministry of Industry and Trade

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 122: January - October 2013

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks, exchange companies, insurance companies, and fund transfer companies; General Post and Postal Savings Authority; real estate agents; gold and precious metal dealers; public notaries, lawyers, and accountants; financial and investment services companies; and various government ministries, including the Central Organization for Control and Audit, Central Bank of Yemen, and Ministry of Industry and Trade

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 3: January - October 2013

Convictions: 0 in 2013

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO **Other mechanism:** NO

With other governments/jurisdictions: YES

Yemen is a member of MENAFATF, a FATF-style regional body. Its most recent mutual evaluation can be found here:

http://www.menafattf.org/images/UploadFiles/MER_Republic_of_Yemen.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In 2013, the Government of the Republic of Yemen and the Central Bank of Yemen (CBY) took several steps to align Yemen's AML/CFT regime with international standards by amending its 2010 AML/CFT law and implementing regulations. The amended law now has a system to freeze, seize, and confiscate assets related to AML/CFT cases referred for prosecution. The Ministry of Legal Affairs is also working on a draft law that will focus on recovering assets related to corruption cases. The modified law also includes a mechanism to quickly freeze terrorist assets.

The 2013 amendments to the AML/CFT law enhance the capacity of the CBY to oversee financial institutions. The Financial Information Unit (FIU) in the CBY, Yemen's financial

intelligence unit, has eleven employees. The FIU has no computerized databases and is not networked to other Yemeni government or regional financial data systems, although it is attempting to upgrade its information technology system with international assistance. FIU personnel report the unit is building a database using a program written in-house. While the law requires designated businesses to file suspicious transaction reports (STRs) with the FIU, in practice compliance is low.

In 2010, Yemen acceded to the UN Convention against Transnational Organized Crime; however, the government stipulated that any request for mutual assistance be conducted through diplomatic channels rather than through faster and more expedient administrative channels. Yemen should follow the more efficient international practice.

Yemen has a cross-border cash declaration or disclosure requirement for cash amounts over \$15,000. Compliance is lax and customs inspectors do not routinely file currency declaration forms if funds are discovered. Law enforcement and border control agencies should become more proactive and prevention-oriented in their efforts to combat money laundering.

Limited resources have hampered Yemen's ability to enforce AML laws and regulations. The government's capacity has been hindered as a result of the 2011 civil strife and the government's focus on political transition. Despite a continuing lack of political support, Yemeni agencies and financial institutions have been actively pursuing AML training provided by international partners. The government and private financial institutions should improve their practices, procedures, standards, and policies to more effectively deter money laundering and terrorism financing. The government should enhance its inter-ministerial coordination and capacity to more quickly and efficiently detect, investigate, and prosecute money laundering activities.

Zambia

Zambia is not a major financial center. The proceeds of narcotics transactions and public corruption are the major sources of laundered funds. Human trafficking is also a problem. Banks, real estate agents, insurance companies, casinos, and law firms are the institutions most commonly used to launder money. Criminals in Zambia have used structuring, currency exchanges, monetary instruments, gambling, under-valuing assets, and front companies to launder illicit proceeds. Other devices include securities, debit and credit cards, bulk cash smuggling, wire transfers, false currency declarations, and trade-based money laundering via the purchase of luxury goods, such as vehicles and real estate.

Zambia is not considered an offshore financial center. The Government of Zambia is developing a number of multi-facility economic zones that are similar to free trade zones.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN

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THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: **criminally:** YES **civilly:** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: **Foreign:** NO **Domestic:** NO

KYC covered entities: Commercial and development banks, building societies and microfinance entities, savings and credit institutions, money exchanges and remitters, securities firms, and casinos

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not applicable

STR covered entities: Commercial and development banks, building societies and microfinance entities, savings and credit institutions, money exchanges and remitters, securities firms, insurance companies, venture capital and pension funds, leasing companies, and casinos

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** NO **Other mechanism:** YES

With other governments/jurisdictions: YES

Zambia is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a FATF-style regional body. Its most recent mutual evaluation report can be found at: http://www.esaamlg.org/reports/view_me.php?id=195

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Prevention and Prohibition of Money Laundering Act only indirectly requires identification of customers, as part of its requirement to document transactions. The Bank of Zambia's Anti-Money Laundering Directives of 2004 provide a direct customer identification obligation, which is applied flexibly to avoid financial exclusion in rural areas. Zambian banks have voluntarily adopted KYC rules.

The Financial Intelligence Centre (FIC), Zambia's financial intelligence unit, was created in 2010; the FIC board was constituted in November 2012 and is now housed at the Bank of Zambia headquarters. In 2013, the board named a director for the FIC and advertised a set of staff positions. The FIC has received some assistance from international donors, but continues to look for capacity building and financial support. Like much of the Zambian government, those

authorities tasked with investigating and prosecuting financial crimes are hampered by a lack of resources and capacity.

In May 2012, the Government of Zambia enacted Statutory Instrument (SI) 33, prohibiting the use of foreign currencies in domestic transactions. Effective July 2013, the government enacted SI 55, imposing new reporting requirements for all foreign currency transactions, including all imports and exports. SI 55 is expected to aid enforcement of Zambia's AML/CFT laws and regulations. In addition, on January 1, 2013, Zambia transitioned to a rebased local currency, the kwacha. The currency includes additional security features. This is also expected to aid AML enforcement by making concealed funds worthless after the new currency phase-in period.

The Government of Zambia should become a party to the UN International Convention for the Suppression of the Financing of Terrorism.

Zimbabwe

Zimbabwe is not a regional financial center, but it faces problems related to money laundering and corruption. Regulatory and enforcement deficiencies in Zimbabwe's AML/CFT regime expose the country to illicit finance risks, but there are no reliable data as to the actual extent of the problem. Commercial banks, building societies, moneylenders, insurance brokers, realtors, and lawyers in Zimbabwe are all vulnerable to exploitation by money launderers.

Nearly all transactions in Zimbabwe are now carried out with either the U.S. dollar or the South African rand. The Government of Zimbabwe's switch to this "multi-currency regime" significantly reduced opportunities for money laundering and the commission of other financial crimes via exploitation of the multiple exchange rates and opaque foreign exchange controls that were in place until 2009.

The United States, Canada, Australia, and the EU have imposed targeted financial sanctions and travel restrictions on both political leaders and a limited number of private companies and state-owned enterprises for complicity in human rights abuses or for undermining democratic processes or institutions in Zimbabwe. In 2013, the EU significantly reduced the number of individuals and entities under sanctions from 91 to 11. Following the de-listing of the Zimbabwe Mining Development Corporation (ZMDC) from the EU's list of sanctioned entities in September 2013, financial crime could begin to fall, as buyers have an increased number of legal channels through which to purchase diamonds from Zimbabwe. By contrast, the United States maintains sanctions on the ZMDC, so it remains illegal for U.S. persons to transact with this corporation.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN

THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Are legal persons covered: **criminally:** YES **civilly:** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: **Foreign:** YES **Domestic:** YES

KYC covered entities: Commercial banks, acceptance houses, discount houses, money transfer agencies, *bureaux de change*, legal practitioners, accounting firms, pension funds, real estate agents, cash dealers, and finance houses

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 230: January 1 - October 31, 2013

Number of CTRs received and time frame: Not applicable

STR covered entities: Commercial banks, acceptance houses, discount houses, money transfer agencies, *bureaux de change*, legal practitioners, accounting firms, pension funds, real estate agents, cash dealers, and finance houses

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** NO **Other mechanism:** NO

With other governments/jurisdictions: YES

Zimbabwe is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a FATF-style regional body. Its most recent mutual evaluation can be found here: http://www.esaamlg.org/userfiles/Zimbabwe_detailed_report.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

AML legislation is sometimes abused for political purposes. More broadly, widespread corruption impedes the proper implementation of Zimbabwe’s AML/CFT regime. In June 2013, the government took important steps to improve its AML/CFT regime by enacting the Money Laundering and Proceeds of Crime Act (MLPCA), addressing Zimbabwe’s deficiencies with regard to civil forfeiture, international cooperation, suspicious transaction reporting on the part of designated non-financial businesses and professions, and the criminalization of terrorist financing.

Although legislators from all parties in the former Government of National Unity (GNU) had increased scrutiny of the government’s activities, that enhanced oversight may wane now that just one party, the Zimbabwe African National Union-Patriotic Front, controls a supermajority of parliament and several reform-oriented ministers from the opposition party, including the

finance minister, are no longer in the government. However, Parliament's 20 portfolio committees, including some chaired by opposition MPs, continue to offer opportunities for oversight of the executive branch. For example, under the GNU, the parliamentary committee on mining held officials to account for government actions in the Marange diamond fields. As a result, the Ministry of Finance promised to tighten controls in future legislation and to enhance the revenue authority's oversight of the production and sale of diamonds. Ultimate responsibility for this legislation lies with the Ministry of Mines and Mining Development, and although a draft act has not yet been produced, the new Minister of this department has promised to improve accountability within the diamond mining sector.

Regulation and enforcement in the financial sector is weak, mainly due to a lack of trained regulators and financial crimes investigators. Regulatory and law enforcement agencies lack the resources to effectively combat money laundering, and many financial institutions are unaware of – or simply fail to comply with – their obligations to file STRs. Zimbabwe's framework to freeze terrorist assets has yet to be proven effective. Financial institutions typically receive information related to UN designations from private sources or companies rather than from the government. In 2013, Zimbabwe issued new regulations aimed at beginning its implementation of its obligations to identify and freeze terrorist assets under UNSCRs 1267 and 1373.

The MLPCA widens the applicability of the Criminal Matters Act (CMA), which deals with mutual legal assistance (MLA). Prior to the MLPCA, there were no legal or practical impediments to rendering assistance, providing both Zimbabwe and the requesting country criminalize the conduct underlying the offense. However, while mutual legal assistance has been available for the investigation and prosecution of money laundering offenses, it was not available for terrorist financing matters. The MLPCA appears to amend the CMA to make MLA available for the investigation and prosecution of terrorist financing, but this has not yet been demonstrated. While the MLPCA appears to have removed key legal impediments to MLA, only effective implementation of the CMA, as amended, will demonstrate a lack of practical impediments. Zimbabwe should now work to demonstrate that it can and will engage in timely and effective international cooperation to combat illicit finance.

There were a number of prosecutions and convictions for money laundering between January and November 2013, although the exact figures are not available because there is no centralized system for compiling and collating such statistics. The FIU referred 15 cases to the relevant law enforcement agencies for further investigation between January and October 2013; the outcomes of those investigations are still pending.

On January 30, 2013, Zimbabwe became a party to the International Convention for the Suppression of the Financing of Terrorism.

Zimbabwe should continue to make progress on these issues and work to ensure that its financial intelligence unit is fully operational and effectively functioning. Additionally, Zimbabwe should work to ensure that across-the-board implementation of the MLPCA has begun. Zimbabwe should criminalize human trafficking and piracy.